No. 85-1780

Supreme Court, U.S.
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IN THE

Supreme Court of the United States

October Term, 1986

BIC LEISURE PRODUCTS, INC. and
WINDGLIDER FRED OSTERMANN, GmbH,

Petitioners,

vs.

WINDSURFING INTERNATIONAL, INC.,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

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Questions Presented

This Petition raises issues of critical significance with respect to the promulgation by the Court of Appeals for the Federal Circuit of a new policy for the determination of patent misuse questions, which policy is fundamentally alien to and unequivocally irreconcilable with the Patent Misuse Doctrine, first enunciated by this Court almost seventy years ago in *Motion Picture Patents Co.* v. *Universal Film Manufacturing Co.*, 243 U.S. 502 (1917), and consistently adhered to since that time. It is particularly urgent that this Court address the vital issues of public policy relating to the use and enforcement of patents which are the subject of this Petition because, aside from this Court, the Court of Appeals for the Federal Circuit is the only other tribunal having appellate jurisdiction in patent cases:

A. Has the Court of Appeals, reversing the ruling of the District Court that the patent in suit had been misused, failed to make the mandated inquiry as to whether the patentee/licensor had unlawfully extended the monopoly of his patent beyond the scope commensurate with his invention, conducting instead only an unauthorized, speculative, and unprecedented "rule of reason" analysis of the possible anticompetitive effect.

B. Has the Court of Appeals, by disregarding the concept which is the foundation of the equitable Patent Misuse Doctrine and adopting instead an "economic analysis" rationale, created a new policy, irreconcilable with that originated by this Court, under which no licensing practice shall be declared a misuse unless it is tantamount to a violation of the antitrust laws.

C. Has the Court of Appeals, in failing to find misuse, decided that issue in a manner clearly in conflict with the standards mandated by this Court, ignoring the Patent Misuse Doctrine and disregarding the incontrovertible

proof that the patentee/licensor, who actively enforced his patent through litigation, had unlawfully extended his limited monopoly beyond the scope commensurate with his invention by refusing to grant rights to any of eleven licensees under a patent for a sailboard unless the licensees would agree to relinquish their otherwise available statutory rights to challenge the validity of the licensor's trademarks, the licenses being terminable upon the making of any such challenge.

Parties

The parties named in the caption are the only parties to these proceedings. Petitioner, BIC Leisure Products, Inc., is a wholly-owned subsidiary of BIC Corporation, which, in turn, is a partially-owned subsidiary of Societe Bic S.A., a French corporation. Petitioner, Windglider Fred Ostermann, GmbH, is, either directly or indirectly, a wholly-owned subsidiary of Societe Bic S.A.

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No. 86-

IN THE

Supreme Court of the United States

October Term, 1986

BIC LEISURE PRODUCTS, INC. and
WINDGLIDER FRED OSTERMANN, GmbH,
Petitioners,

vs.

WINDSURFING INTERNATIONAL, INC.,
Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

Petitioners, BIC Leisure Products, Inc. and Windglider Fred Ostermann, GmbH, hereby request this Court to issue a Writ of Certiorari to review so much of the January 28, 1986 decision of the United States Court of Appeals for the Federal Circuit as reversed the ruling of the District Court that the patent in suit had been misused.

Opinion Below

The opinion of the United States Court of Appeals for the Federal Circuit, reported at 782 F.2d 995 (Fed. Cir. 1986), is reprinted as Appendix A, pp. 1a-17a of this Petition.

Jurisdiction

The judgment of the Court of Appeals for the Federal Circuit in this action was entered on January 28, 1986. Neither party requested rehearing.

The jurisdiction of this Court is invoked pursuant to 28 U.S.C. §1254(1).

Statement of the Case

The district court case[1] was a declaratory judgment action instituted by BIC Leisure Products alleging that United States Reissue patent No. 31,167 ("the '167 patent"), owned by Windsurfing International, Inc. and relating to a sailboard, was invalid, unenforceable and not infringed. On July 15, 1985, the District Court for the Southern District of New York entered an opinion holding the '167 patent valid and infringed, but ruling that respondent had misused the patent by illegally expanding the legitimate monopoly thereof through a requirement that its licensees, as a condition for obtaining licenses under the patent, acknowledge the validity of certain trademarks also owned by respondent and refrain from using these trademarks in any form on any product. *Windsurfing International, Inc.* v. *Fred Ostermann GmbH*, 613 F. Supp. 933 (S.D.N.Y. 1985).

On appeal, the Court of Appeals for the Federal Circuit ("the Federal Circuit") affirmed the District Court's findings of validity and infringement, but reversed the lower court's finding of patent misuse. *Windsurfing International, Inc.* v. *AMF Incorporated*, 782 F.2d 995 (Fed. Cir. 1986). Its decision was premised on an erroneous view of

1. The case in the District Court involved three consolidated actions relating, *inter alia*, to the validity, infringement and enforceability of the patent in suit. Civil Action No. 83 Civ. 3774 is the declaratory judgment action instituted by petitioners.

the Patent Misuse Doctrine which is alien to and irreconcilable with that Doctrine as promulgated and enforced by this Court. In particular, in making its determination regarding misuse, the Federal Circuit ignored the important public policy considerations underlying the Doctrine and failed even to consider whether the respondent had unlawfully extended its patent monopoly. Rather, in reversing the court below, the Federal Circuit applied an unauthorized, unprecedented "rule of reason" analysis.

Reasons for Allowance of the Writ

This Court should exercise its power of supervision to rectify the critical and complete departure of the Court of Appeals for the Federal Circuit from the basic concepts of the Patent Misuse Doctrine, a policy first announced by this Court almost seventy years ago, and now peremptorily discarded by a newly-created tribunal in its initial substantive consideration thereof.

At the same time, this Court should apply the proper standards to the facts of the case at bar to redress the effects of the erroneous ruling below which condoned a patent licensing policy under which licensees were coerced into relinquishing their statutory right, otherwise available, to challenge the validity of the licensor's trademarks.

A. The Federal Circuit Has Created A Policy For The Determination Of Patent Misuse Questions Which Disregards The Doctrine Promulgated By This Court And Confuses Patent Misuse With Violations Of The Antitrust Laws

The Patent Misuse Doctrine, first enunciated by this Court in *Motion Pictures Patents Co.* v. *Universal Film Manufacturing Co., supra,* is founded upon important public policy considerations which emanate from Article I,

Section 8 of the United States Constitution. The economic considerations which prompted the enactment and subsequent enforcement of the antitrust laws and which constitute the basis of the policy announced by the Federal Circuit are totally alien to questions of patent misuse.[2] "Patent misuse" is inequitable conduct by a patent owner which may be raised as a defense in any action to enforce the patent. It stems, as this Court has recognized, from the equitable principle of unclean hands.[3] *See Morton Salt Co.* v. *G. S. Suppiger Co.*, 314 U.S. 488, 491-92 (1942). Prior to *Motion Pictures Patents*, patent misuse questions were treated in accordance with the rulings in *Henry v. A. B. Dick Co.*, 224 U.S. 1 (1912) and the earlier circuit court decision in *Heaton-Peninsular Button-Fastener Co.* v. *Eureka Specialty Co.*, 77 F. 288 (6th Cir. 1896).

In *Button-Fastener*, the patent owner sold patented machines for fastening buttons on shoes, but required that the buyer also purchase from him the requisite unpatented fasteners. Having undertaken an economic analysis, the Court of Appeals for the Sixth Circuit rejected the argument of the defendant that the restrictive provision was

2. In direct contrast to the strong public policy against the improper extension of the patent monopoly which underlies the equitable doctrine of patent misuse, the antitrust laws "rest on the premise that the unrestrained interaction of competitive forces will yield the best allocation of our economic resources, the lowest prices, the highest quality and the greatest material progress . . . ." *Northern Pac. Ry.* v. *United States*, 356 U.S. 1, 4 (1958). A patent monopoly, by definition, restrains competitive forces and is obviously inconsistent with the philosophy of the antitrust laws. *See* 35 U.S.C. §154.

3. Since the creation of the doctrine of patent misuse almost seventy years ago, this Court has consistently distinguished between patent misuse and violations of the antitrust laws. *See, e.g., Motion Pictures Patents Co.* v. *Universal Film Manufacturing Co., supra. See also Zenith Radio Corp.* v. *Hazeltine Research, Inc.*, 395 U.S. 100, 140-41 (1969); *Transparent-Wrap Machine Corp.* v. *Stokes & Smith Co.*, 329 U.S. 637, 641 (1947); *Morton Salt Co.* v. *G.S. Suppiger Co.*, 314 U.S. 488, 494 (1942).

illegal and unenforceable because the "public policy in respect of monopolies and contracts in restraint of trade" forbids a patent owner from using the monopoly in the patented machines to establish a monopoly in the unpatented fasteners. 77 F. at 292. The court reasoned that since the patent owner could legitimately monopolize the sale of unpatented shoes, it was not anticompetitive for the patent owner instead to license other shoe manufacturers on the condition that they purchase fasteners from him. *Id.* at 295.

In *Henry* v. *A. B. Dick Co., supra,* this Court sanctioned the practice of a patent owner who sold its patented mimeograph machine on the express condition that the user also purchase unpatented paper and ink. After examining the economic factors, this Court concluded that the user had not been damaged, but that the patent owner merely had chosen to secure its profit through the sale of accessories rather than by charging a higher price for the patented machines. 224 U.S. at 32.

The *Motion Picture Patents* case rejected the rationale of *Button-Fastener* and expressly overruled *A. B. Dick.* There, the patent covered a film feeder for a motion picture projector. Licenses under the patent were conditioned on the agreement to exhibit motion pictures leased only from persons authorized by the patent owner. This Court held that the restriction was unenforceable as contrary to public policy *regardless of whether it violated the antitrust laws* because the patent owner "should not be permitted by legal devices to impose an unjust charge upon the public. . . ." 243 U.S. at 513. As such, the provision was "plainly void because it [was] wholly without the scope and purpose of our patent laws and because, if sustained, it would be gravely injurious to that public interest, which we have seen is more a favorite of the law than is the promotion of private fortunes." *Id.* at 519.

During the evolution of the Patent Misuse Doctrine, this Court consistently has emphasized the public policy considerations which are at its core. For example, in *Morton Salt Co.* v. *G. S. Suppiger Co., supra* at 492, 494, this Court further delineated the Doctrine, confirming its equitable origin and distinguishing it from the antitrust laws as follows:

> The grant to the inventor of the special privilege of a *patent monopoly*[4] carries out a *public policy* adopted by the Constitution and laws of the United States, "to promote the Progress of Science and useful Arts, by securing for limited Times to . . . Inventors the exclusive Right . . ." to their "new and useful" inventions. . . . But the *public policy* which includes inventions within the granted monopoly *excludes from it all that is not embraced in the invention.* It equally forbids the use of the patent to secure an exclusive right or limited monopoly not granted by the Patent Office and *which is contrary to public policy to grant.*
>
> It is a principle of general application that courts, and *especially courts of equity,* may appropriately withhold their aid where the plaintiff is *using the right asserted contrary to the public interest.*
>
> * * *
>
> It is the *adverse effect upon the public interest* of a successful infringement suit, in conjunction with the patentee's course of conduct, which disqualifies him to maintain the suit, *regardless of whether the particular defendant has suffered from the misuse of the patent.*
>
> * * *
>
> *It is unnecessary to decide whether respondent has violated the Clayton Act,* for we conclude that in any event the maintenance of the present suit to restrain petitioner's manufacture or sale of the alleged in-

4. Emphasis added. Wherever emphasis appears in this Petition, it has been added unless otherwise indicated.

> fringing machines *is contrary to public policy and that the district court rightly dismissed the complaint for want of equity.* (citations omitted).

Accord, B. B. Chemical Co. v. *Ellis,* 314 U.S. 495 (1942); *United States* v. *Univis Lens Co.,* 316 U.S. 241 (1942).

The policy of *Morton Salt* has been followed uniformly in later patent misuse decisions. Apposite is *Mercoid Corp.* v. *Mid-Continent Investment Co.,* 320 U.S. 661, 665 (1944), wherein this Court declared:

> The grant of a patent is the grant of a special privilege "to promote the Progress of Science and useful Arts." Const., Art. I, § 8. It carries, of course, a right to be free from competition in the practice of the invention. *But the limits of the patent are narrowly and strictly confined to the precise terms of the grant. . . . It is the public interest which is dominant in the patent system.* . . . It is the protection of the public in a system of free enterprise which alike nullifies a patent where any part of it is invalid . . . *and denies to the patentee after issuance the power to use it in such a way as to acquire a monopoly which is not plainly within the terms of the grant.* . . . The fact that the patentee has the power to refuse a license *does not enable him to enlarge the monopoly of the patent by the expedient of attaching conditions to its use. . . . The method by which the monopoly is sought to be extended is immaterial.* . . . The patent is a privilege. But it is a privilege which is conditioned by a *public purpose.* It results from invention and is limited to the invention which it defines. (citations omitted).

Prior to the decision of the Federal Circuit in the case at bar, it was beyond reasonable dispute that the only proper inquiry to determine the existence of patent misuse was to ascertain whether the patent owner, particu-

larly through his licensing practices, had extended the patent monopoly beyond its permissible scope, regardless of the presence or absence of either an anticompetitive effect, damage to the infringer, or any other element necessary to the maintenance of an antitrust action. *Morton Salt Co.* v. *G. S. Suppiger Co., supra* at 494.[5] Certainly, whereas an antitrust claimant must generally establish the relevant market and show an anticompetitive effect resulting in injury to himself,[6] a party seeking to prove patent misuse need not establish any of those elements. *See Laitram Corp.* v. *King Crab, Inc.*, 245 F. Supp. 1019, 1020 (D. Alaska 1965).

In the face of the clear and unambiguous mandate of this Court, the Federal Circuit, addressing a patent misuse question for the first time in its history, has restored *A. B. Dick,* holding (13a-14a):

> The doctrine of patent misuse is an affirmative defense to a suit for patent infringement . . . and requires that the alleged infringer show that the patentee has impermissibly broadened the "physical or temporal scope" of the patent grant *with anticompetitive effect*. . . .
>
> To sustain a misuse defense involving a licensing arrangement not held to have been per se anticompetitive by the Supreme Court, a *factual determination* must reveal that the overall effect of the license tends to *restrain competition unlawfully in an appropriately defined relevant market.* (footnote omitted) (citation omitted).

5. "It is unnecessary to decide whether respondent has violated the Clayton Act, for we conclude that in any event the [conditional license] . . . is contrary to public policy. . . ." 314 U.S. at 494.

6. Civil actions alleging violations of the antitrust laws are limited to a "person who shall be injured in his business or property . . . ." 15 U.S.C. §15(a).

Since the Federal Circuit is the *only* Court of Appeals which hears patent cases, unless this Court affirmatively addresses this issue, "anticompetitive effect" will continue to be the prerequisite for establishing patent misuse, and the Patent Misuse Doctrine which was promulgated and nurtured by this Court will pass into oblivion. No longer will the inferior federal courts consider the "adverse effect upon the public interest"; the test will be indistinguishable from that of the antitrust laws.

To have engrafted antitrust principles upon the Patent Misuse Doctrine, the Federal Circuit has had to disregard the established precedent of this Court which defines patent misuse independent and apart from either the antitrust laws or principles of antitrust analysis. *See Zenith Radio Corp.* v. *Hazeltine Research, Inc., supra* at 140-41. Nowhere has this Court ever required the making of either a "factual determination" regarding the effects of a restraint on competition resulting from a patent license or the ascertainment of a "relevant market" as essential to the finding of patent misuse. The impermissible extension of a patent monopoly—itself an exception to the antitrust laws which prohibit monopolies—is judged not by the economic considerations underlying the antitrust laws, but by the public policy underlying the scope of protection afforded by the patent laws. The former, however, is at the heart of the Federal Circuit's decision. It is fundamentally alien to the basic concepts of the Patent Misuse Doctrine. Not since *A. B. Dick* has this been the law.[7]

7. In reversing the District Court, the Federal Circuit not only ignored the Patent Misuse Doctrine as originally established by this Court and consistently followed in its later decisions, but also relied, as the principal basis for its erroneous ruling, on certain aspects of a 1982 speech in which the speaker himself admitted that he was *not discussing what the law is, but rather what, in his opinion, it should be.* *See* Competition Policy and the Patent Misuse Doctrine, by Roger B. Andewelt, Chief, Intellectual Property Section, Antitrust

(footnote continued on next page)

This Court has historically granted certiorari in patent misuse cases when necessary to address substantial matters of public policy and to exercise its power and duty of supervision of the inferior federal courts. Certiorari was granted in *Dawson Chemical Co.* v. *Rohm & Haas Co.*, 448 U.S. 176, 185 (1980), "to resolve an issue of prime importance in the administration of the patent law." For the same reason, certiorari is warranted in this case.[8]

Petitioners have noted that appeals in all patent infringement actions are now heard exclusively by the Federal Circuit, making it, apart from this Court, the sole appellate arbiter of both the definition and the application of the Patent Misuse Doctrine. Unless this Court allows the present writ, the misuse policy of the Federal Circuit will be applied in every appeal presenting that issue. By its very nature, the new Federal Circuit view will quickly obliterate all traces of the existing doctrine and, without fail,

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Division, Department of Justice, Before the Bar Association for the District of Columbia, Patent Trademark & Copyright Section, 25 Pat. Trademark & Copyright J. (BNA) No. 604 at 41 (Nov. 11, 1982), reprinted as Appendix B, pp. 19a-35a of this Petition.

In this speech, Mr. Andewelt advocated returning to the approach defined in the *A. B. Dick* and the *Button-Fastener* decisions, which was rejected by this Court almost seventy years ago in *Motion Pictures Patents Co.* In essence, Mr. Andewelt, following the rationale strikingly similar to that later adopted by the Federal Circuit, recommended that patent misuse should be found only in those instances where an economic rule of reason analysis has revealed an anticompetitive effect. The Federal Circuit, although taken with his theory, somehow managed to ignore Mr. Andewelt's closing remarks (*Id.* at 35a):

> I have discussed *where the law should be rather than where it is.*

8. *Dawson Chemical Co.* v. *Rohm & Haas Co., supra,* dealt with the interface between the doctrines of patent misuse and contributory infringement. Over twenty years have passed since the most recent decision of this Court specifically addressing the question of patent misuse. *Brulotte* v. *Thys Co.*, 379 U.S. 29 (1964).

work to increase greatly the scope of the monopoly power of patent licensors.[9]

B. In Approving The Licensing Policy Of Respondent, The Federal Circuit Applied Standards Clearly In Conflict With Those Mandated By This Court

Petitioners' claim of patent misuse is based on paragraph 10 of respondent's standard license agreement, which recites (12a-13a):

> 10. *Trademarks*
>
> LICENSEE hereby acknowledges that the terms "WINDSURFER", "WINDSURFING", and "WIND SURF" and the logo which is attached hereto as Exhibit 3 are *all valid trademarks.* LICENSEE hereby agrees not to use any of the trademarks identified in this paragraph 10 in any form or fashion in its company name or any of its literature or advertising or promotional material or on any products whatsoever.[10]

Pursuant to paragraph 16, respondent could terminate the entire agreement if a licensee failed to correct a default of any provision of the agreement.

In reversing the District Court's finding of patent misuse, the Federal Circuit concluded (14a):

> The license agreement provision *merely asserted and recognized* [*respondent's*] *rights derived from the trademark laws.* The assertion of trademark rights

9. The present situation is compounded by the ever increasing number of patents which the Federal Circuit has held valid. In reported cases as of December 1985, the Federal Circuit had reversed only 6 of 32 district court judgments holding a patent valid, but had reversed 27 of 67 holding a patent invalid.

10. See license agreement between Windsurfing International, Inc. and petitioner, Windglider Fred Ostermann, GmbH. Defendant's Exhibit No. 139. The challenged provision is also found in each of respondent's ten other patent licenses.

> can have procompetitive effects . . . and thus under only the most rare of circumstances could such assertion, separately or as a provision in a patent license agreement, form in itself the basis for a holding of inequitable conduct such as that labeled "patent misuse".

The foregoing was founded upon the view that since a trademark registration enjoys a statutory presumption of validity, 15 U.S.C. §1057(b), the requirement that a licensee expressly acknowledge the validity of the licensed trademarks "merely . . . recognized . . . rights derived from the trademark laws." This analysis is flawed in several critical respects.

First, although a patent also enjoys a statutory presumption of validity, 35 U.S.C. §282, an agreement by the patent licensee acknowledging the validity of the licensed patent which, in substance, precludes the licensee from contesting the validity is void as against public policy. *Lear, Inc.* v. *Adkins*, 395 U.S. 653, 670-71 (1969).

Furthermore, by requiring his *patent licensees* to acknowledge the validity of his *trademarks*, respondent has in fact coerced them to relinquish a substantive statutory right to challenge or contest the validity of those trademarks under the provisions of 15 U.S.C. §1064; the Federal Circuit notwithstanding, that right is *not* abrogated by the mere presumption of validity. Clearly, the right to restrain another from contesting the validity of a trademark is far outside the scope of the monopoly granted to a patentee. Such forebearance could not have been extracted *but for* the desire of the promisors to obtain a license under the patent. Only by using improperly the leverage of his patent monopoly was respondent able to shelter his trademarks, thereby obtaining an unfair and illegal advantage over his patent licensees, and an undue benefit which he could not otherwise have obtained.[11]

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11. When respondent's trademarks finally were challenged by a non-licensee, they were held invalid on the grounds that they had become generic. *Windsurfing International, Inc.* v. *Fred Ostermann GmbH, supra.*

Nor did the Federal Circuit consider the fact that respondent also extracted an agreement prohibiting his patent licensees from using the trademarks *in any form or on any product.* The court disregarded the principle that trademark protection is ordinarily limited to the form of the mark which has been registered by the Patent and Trademark Office. Further, it is limited to the products covered by the registration and, in some cases, certain related products. The license provision in question deprived the patent licensees from using the trademarks according to 15 U.S.C. §1115(b)(4) which authorizes the *descriptive use* of any trademark. Certainly, had respondent not unlawfully leveraged his patent monopoly, he could not have obtained the undue advantage of a blanket prohibition against the use of his trademarks *in any form or on any product*—a benefit neither contemplated by the trademark laws nor otherwise properly available.

Conclusion

For the reasons presented, this Petition for a Writ of Certiorari should be granted.

Respectfully submitted,

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12. In reaching its decision, the Federal Circuit specifically noted that it was aware of no authority "for the proposition that patent misuse may be found on the basis of a patent license agreement provision recognizing and forbidding use of the licensor's validly registered trademarks" (14a). This however, is immaterial because, as this Court has observed, "the particular form or method by which the monopoly is sought to be extended is immaterial." *United States* v. *Univis Lens Co., supra* at 251-52.

Certificate of Service

This Petition for a Writ of Certiorari has been served upon Respondent by mailing copies thereof to Harold E. Wurst, Esq., Nilsson, Robbins, Dalgarn, Berlinger, Carson & Wurst, 707 Wilshire Boulevard, Suite 4750, Los Angeles, California 90017 and David R. Francescani, Esq., Darby & Darby, 405 Lexington Avenue, New York, New York 10174, this 28th day of April, 1986.

THOMAS F. REDDY, JR.

APPENDIX A

APPENDIX A

UNITED STATES COURT OF APPEALS

FOR THE FEDERAL CIRCUIT

Appeal Nos. 85-2808 and 85-2809

WINDSURFING INTERNATIONAL, INC.,

Appellees,

v.

AMF INCORPORATED,

Appellant.

Appeal Nos. 85-2835 and 85-2836

BIC LEISURE PRODUCTS, INC., WINDGLIDER FRED OSTERMANN, GmbH,

Appellants/Cross-Appellees,

v.

WINDSURFING INTERNATIONAL, INC.,

Appellee/Cross-Appellant.

Appeal Nos. 86-514 and 86-548

WINDSURFING INTERNATIONAL, INC.,

Cross-Appellant/Appellee,

v.

FRED OSTERMANN GmbH, AMF, INC., DOWNWIND CORP., and FREEBOARD SAILING, INC.,

Cross-Appellees/Appellants.

David H. Badger, Willian, Brinks, Olds, Hofer, Gilson & Lione, of Indianapolis, Indiana, argued for appellant AMF Incorporated.

Thomas R. Reddy, Jr., Pennie & Edmonds, of New York, New York, argued for appellant BIC Leisure Products, Inc. With him on the brief were *Joseph V. Colaianni*, Pennie & Edmonds, of Washington, D.C., and *Brian M. Poissant*, Pennie & Edmonds, of New York, New York.

Harold E. Wurst, Nilsson, Robbins, Dalgarn, Berliner, Carson & Wurst, of Los Angeles, California, argued for appellee Windsurfing International, Inc. With him on the brief was *David R. Francescani*, Darby & Darby, of New York, New York.

Pasquale A. Razzano, Curtis, Morris & Safford, P.C., of New York, New York, was on the brief for defendant-appellee, Downwind Corporation, in appeal nos. 85-2808, 85-2836, 86-514 and 86-548, and defendant-appellant in appeal nos. 85-2808 and 85-2836.

Appealed from: United States District Court for the Southern District of New York

Judge Lasker

UNITED STATES COURT OF APPEALS

FOR THE FEDERAL CIRCUIT

Appeal Nos. 85-2808 and 85-2809

WINDSURFING INTERNATIONAL, INC.,

Appellees,

v.

AMF INCORPORATED,

Appellant.

Appeal Nos. 85-2835 and 85-2836

BIC LEISURE PRODUCTS, INC., WINDGLIDER FRED OSTERMANN, GmbH,

Appellants/Cross-Appellees,

v.

WINDSURFING INTERNATIONAL, INC.,

Appellee/Cross-Appellant.

Appeal Nos. 86-514 and 86-548

WINDSURFING INTERNATIONAL, INC.,

Cross-Appellant/Appellee,

v.

FRED OSTERMANN GmbH, AMF, INC., DOWNWIND CORP., and FREEBOARD SAILING, INC.,

Cross-Appellees/Appellants.

DECIDED: January 28, 1986

Before MARKEY, *Chief Judge,* SMITH and NEWMAN, *Circuit Judges.*

MARKEY, *Chief Judge.*

Consolidated appeal from two judgments of the United States District Court for the Southern District of New

York: (1) holding claims 15-21 of Windsurfing International's (WSI's) U. S. Patent Re. 31,167 ('167 patent) valid and infringed; (2) holding that WSI had misused the patent; (3) enjoining AMF, Inc. (AMF), BIC Leisure Products, Inc., and Windglider Fred Ostermann, GmbH (BIC); and (4) refusing to enjoin infringing defendant Downwind Corp. (Downwind). 613 F. Supp. 933, 227 USPQ 927 (S.D.N.Y. 1985). We affirm in part, reverse in part, vacate in part, and remand.

Background

(1) Proceedings in the District Court

WSI sued AMF, BIC and Downwind, alleging infringement of its '167 patent. AMF then sought a declaratory judgment that the patent is invalid for obviousness under 35 U.S.C. §103, unenforceable because of patent misuse, and not infringed. Also, AMF sought the cancellation of WSI's registrations of "WINDSURFER" and related trademarks[1] on grounds that the marks had become generic. BIC sued WSI, seeking a declaration that the '167 patent is invalid for obviousness, unenforceable, and not infringed.

Consolidating the three actions, the district court held a non-jury trial on 13 dates between November 19 and December 11, 1984, filed an opinion July 15, 1985 and entered judgments on September 11, 1985. AMF in Appeal Nos. 85-2808/2809, BIC in No. 85-2835, and Downwind in No. 86-548, appeal from the judgments holding the '167 patent valid and infringed. AMF and BIC appeal from the grant of injunctions.[2] In Appeal Nos. 85-2836 and

1. U.S. Trademark Registration Nos. 962,616, 997,974, 1,180,024, and 1,195,641. The district court held that WSI's trademarks have become generic. The district court has not yet entered judgment to that effect and the trademark issue of genericness is not part of this appeal.

2. The district court permanently enjoined AMF, but "preliminarily" enjoined BIC pending termination of a related action by Intervenor James R. Drake claiming an ownership interest in the '167 patent. *See* 223 USPQ 509 (S.D.N.Y. 1983).

86-514, WSI cross-appeals from the judgments holding it misused its patent and refusing to enjoin Downwind.

(2) The '167 Patent

The patent in suit relates to the sport of "sailboarding",[3] in which participants ride boards propelled by wind striking sails attached to the boards.

A preferred embodiment of the claimed invention is shown in Figure 1 of the '167 patent:

A participant stands on the top surface of surfboard 10 behind universal joint 36, grasps boom 16 or boom 18 (de-

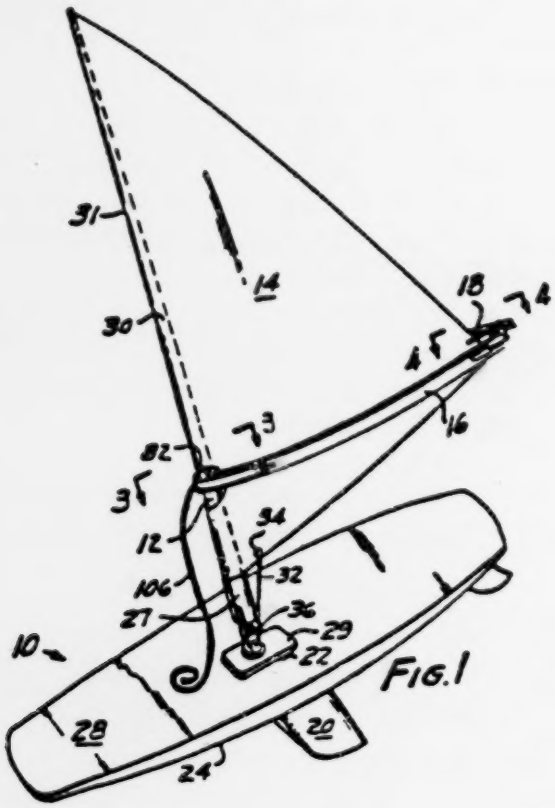

FIG. 1

3. We refer to the patented structure as a "sailboard" and not as a "windsurfer" because whether the latter term has become generic is not yet final.

pending on wind direction), and controls the speed and direction of the board by maneuvering the boom to which sail 14 is attached. If a participant begins to lose control in a sudden wind surge, he or she merely releases the boom and the universal joint allows the sail to fall freely into the water.

Claim 15 is representative:

> 1. Wind-propelled apparatus comprising body means adapted to support a user and wind-propulsion means pivotally associated with said body means and adapted to receive wind for motive power for said apparatus, said propulsion means comprising a mast, a joint for mounting said mast on said body means, a sail and means for extending said sail laterally from said mast *comprising two opposed booms secured to said mast for guiding said sail therebetween and adapted to provide a hand-hold for said user on either side of said sail while sailing,* the position of said propulsion means being controllable by said user, said propulsion means being substantially free from pivotal restraint in the absence of said user, said joint having a plurality of axes of rotation whereby said sail free falls along any of a plurality of vertical planes upon release by said user. [Emphasis added.]

The underscored limitation sets forth the boom and was added when WSI's U.S. Patent No. 3,487,800 was reissued as the '167 patent.

Issues

Did the district court err in: (1) holding the claimed invention nonobvious under 35 U.S.C. §103[4]; (2) finding

4. 35 U.S.C. §103 provides:

> A patent may not be obtained . . . if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.

infringement; (3) holding patent misuse; (4) enjoining AMF and BIC; and (5) refusing to enjoin Downwind.

Opinion

(1) Non-obviousness

On appeal, AMF[5] argues that the district court erred in upholding the '167 patent because it: (a) improperly deferred to decisions by the U. S. Patent and Trademark Office Board of Appeals (Board); (b) compared preferred and commercial embodiments with the prior art; and (c) considered commercial success having no nexus with the claimed invention.

(a) Deference

In deferring to the Board's decisions concerning the allowance of the claims in the reissued patent, the district court was recognizing the statutory mandate that all patents are presumed valid. 35 U.S.C. §282 (1982); *see Fromson* v. *Advance Offset Plate, Inc.*, 755 F.2d 1549, 1555, 225 USPQ 26, 31 (Fed. Cir. 1985). The district court carefully considered whether the evidence not presented in the "fiercely contested adversarial proceeding" before the Board would ease AMF's burden of proving facts compelling a conclusion of invalidity.[6] 613 F. Supp. at 943-45, 227 USPQ at 935-36; *see American Hoist & Derrick Co.* v. *Sowa & Sons, Inc.*, 725 F.2d 1350, 1359-60, 220 USPQ 763, 770 (Fed. Cir.), *cert. denied*, 105 S. Ct. 95 (1984). Concluding that the evidence at trial was merely cumulative

5. Because BIC raises many of the same arguments, and Downwind relies principally on the arguments raised by BIC and AMF, this opinion hereinafter refers to the three parties collectively as AMF, unless otherwise indicated.

6. The "proceeding" referred to comprised the initial application for reissue, a protest, an appeal to the Board, a remand to the examiner, a second appeal to the Board, and an appeal to the Court of Customs and Patent Appeals. The district court described these events in its opinion. 613 F. Supp. at 942-44, 227 USPQ at 934-35.

of that before the Board, the court correctly held that that evidence did not enable AMF to carry the burden imposed by §282.

AMF contends that, because the Board did not mention the obviousness of replacing the rig, shown in a publication referred to as the "Darby reference", with the boom disclosed in the '167 patent, no deference is due the Board decisions. The district court carefully reviewed the administrative record and stated that such argument "oversimplifies the depth of the Board's review and assumes the Board ignored other issues raised in the parties' extensive briefs." 613 F. Supp. at 945, 227 USPQ at 936. We agree. Merely because a decision does not mention a particular point "forms no basis for an assumption that it did not consider those elements." *Perkin Elmer Corp.* v. *Computervision Corp.*, 732 F.2d 888, 901, 221 USPQ 669, 679 (Fed. Cir.), *cert. denied*, 105 S. Ct. 187 (1984). Moreover, the district court correctly noted that "the Board . . . reaffirmed its original holding that combination of '[t]he hand-held wishbone rigging [boom] with the vehicle swivel mast attachment produces . . . a unique sailing apparatus. . . .'" 613 F. Supp. at 945, 227 USPQ at 936. We are satisfied that the district court did not err in this case in giving "deference that is due to a qualified government agency presumed to have properly done its job." *American Hoist, supra*, 725 F.2d at 1359, 220 USPQ at 770, *see Panduit Corp.* v. *Dennison Manufacturing Co.*, 774 F.2d 1082, 1096, 227 USPQ 337, 346 (Fed. Cir. 1985).

(b) Comparison

The district court conducted a thorough *Graham*[7] analysis under §103 before concluding that the claimed invention at the time it was made would not have been obvious to one of ordinary skill in the art. AMF attacks the district court's findings as clearly erroneous, asserting it compared

7. *Graham* v. *John Deere*, 383 U.S. 1, 17-18, 148 USPQ 459, 467 (1966).

to the prior art not the claimed invention but commercial and preferred embodiments as representative of the claimed invention. *See Jackson Jordan, Inc.* v. *Plasser American Corp.*, 747 F.2d 1567, 1578, 224 USPQ 1, 9 (Fed. Cir. 1984) (claims, not embodiments, are focus of obviousness inquiry). Those embodiments include a "scoop" on a slimmer hull-shaped board, a skeg, and footstraps. Thus, they argue that the advantages found by the court are attributable to a combination of those design improvements and not to the claimed invention.

The district court did determine that it would have been obvious to replace a kite sail with a fore and aft sail, and to add a second opposed boom.[8] Properly looking to the claimed invention at the time it was made as a whole, as required by §103, the district court correctly concluded that "the combination of the hand-held wishbone rigging with the universal joint produced a vehicle that performs in a manner previously undisclosed by any of the prior art references before us and, indeed, a vehicle with a performance potential that is even now not yet fully realized." 613 F. Supp. at 948, 227 USPQ at 938.

WSI's expert, Dr. Bradfield, conceded that certain advantages were due to particular added improvements, but he consistently maintained that the overall performance capabilities of the claimed invention were mainly due to the combination of the universal joint and the wishbone rigging. The district court found that testimony credible and AMF has shown no basis on which this court could engage in the normally inappropriate process of substituting a contrary credibility determination for that of the district court.

8. Contrary to BIC and Downwind's contentions, a conclusion that it would have been obvious to replace the sails and add a boom does not require a conclusion that the claimed invention considered as a whole would have been obvious. The claims include more, e.g., a universal joint and its relationship to board, mast, boom, and sail.

(c) Nexus

Before concluding that the combination of the universal joint with the wishbone rigging would not have been obvious, the district court reviewed the objective evidence, *Stratoflex, Inc.* v. *Aeroquip Corp.*, 713 F.2d 1530, 1538, 218 USPQ 871, 879 (Fed. Cir. 1983), and correctly sought a nexus between WSI's commercial success and the merits of the claimed invention. *Cable Electric Prods.* v. *Genmark, Inc.*, 770 F.2d 1015, 1026, 226 USPQ 881, 887 (Fed. Cir. 1985).

In essence, AMF says that the commercial success found by the district court was due in large part to "other economic and commercial factors unrelated to the technical quality of the patented subject matter." *Id.* at 1027, 226 USPQ at 888. Particularly, AMF argues that the great commercial success found by the district court was due to: (1) sales of accessories amounting to 10-15 percent of the gross receipts; (2) an extensive advertising campaign and European promotional effort; and (3) more efficient manufacturing and design changes. They argue that WSI s commercial success is of little probative value because it occurred so many years after the date of invention and was not the result of providing any solution to some existing problem or longfelt want.

Having carefully reviewed the record before us, we conclude that the district court did not impermissibly credit the evidence of commercial success. It specifically found that WSI's commercial success should not be "significantly diminished" by testimony that 10-15 percent of gross receipts are from paraphernalia. 613 F. Supp. at 948 n.84, 227 USPQ at 938 n.84. The court accorded some weight to motivational factors leading to German licenses, but concluded that "widespread recognition and use of the invention" indicated that it would not have been obvious. *Id.* at 949, 227 USPQ at 938-39. The commercial success of the invention was found to have been "well

beyond the effect" of WSI's promotional efforts. *Id.*, 227 USPQ at 939.

Absent some intervening event to which success must be attributed, the delay in achieving the great commercial success of the claimed invention in this case does not detract from the probative value of the evidnce of that success. Similarly, AMF's suggestion that objective evidence of non-obviousness can be considered only when the invention solves a long-existing problem is unwarranted. Providing a solution to a long existing problem is but one type of objective evidence useful in making obviousness/non-obviousness determinations. *See Leinoff* v. *Louis Milona & Sons, Inc.*, 726 F.2d 734, 740, 220 USPQ 845, 849 (Fed. Cir. 1984). Further, the district court correctly noted that copying the claimed invention, rather than one within the public domain, is indicative of non-obviousness. 613 F. Supp. at 949, 227 USPQ at 939; *see Panduit Corp., supra*, 774 F.2d at 1099-1100, 227 USPQ at 348-49.

Having carefully considered AMF's arguments and the evidence relied upon by the district court, we conclude that AMF has not discharged its burden on appeal, i.e., of persuading us that the district court committed reversible legal error in its determination that the invention would not have been obvious, or that the court's probative findings underlying that determination were clearly erroneous. *See Atlas Powder Co.* v. *E. I. DuPont De Nemours*, 750 F.2d 1569, 1573, 224 USPQ 409, 411 (Fed. Cir. 1984). Accordingly, the presumptive validity of the '167 patent remains unscathed and the judgment upholding claims 15-21 of the '167 patent is affirmed.

(2) Infringement

Downwind alone appeals from the judgment of infringement, urging that its structure does not have a "joint having a plurality of axes of rotation." Downwind employs a flexible rubber tube or rod connecting the mast and the board.

Claim interpretation is a question of law, *McGill, Inc.* v. *John Zink Co.*, 736 F.2d 666, 221 USPQ 944, 948 (Fed. Cir.), *cert. denied*, 105 S. Ct. 514 (1985), but we have been shown no basis for upsetting the district court's interpretation of the claims as covering a structure that permits the mast to pivot with respect to and about a number of axes. Downwind's contention that a flexible rubber tube is not "mechanical", and does not rotate, and thus is not a "joint" within the meaning of the claims, is without merit. The word "mechanical" does not appear in the claims, the twisting of the flexible tube is about an axis of rotation, and the tube forms a joint between the mast and board.

Whether Downwind's accused device infringes the claims as interpreted is a fact question, *Raytheon Co.* v. *Roper* Corp., 724 F.2d 951, 961, 220 USPQ 592, 600 (Fed. Cir. 1983), *cert. denied*, 105 S. Ct. 127 (1984), and a finding on that question will not be upset unless clearly erroneous. *Carmen Industries, Inc.* v. *Wahl*, 724 F.2d 932, 941, 220 USPQ 481, 488 (Fed. Cir. 1983). None of the accused infringers has attempted to rebut the testimony on which the district court relied in finding infringement. Downwind has not shown that the claims must be given its own unduly narrow interpretation or that the district court's finding of infringement was clearly erroneous. Accordingly, the judgment of infringement is affirmed.

(3) Patent Misuse

AMF's allegation of patent misuse is based on this paragraph included in license agreements between WSI and eleven licensees:

> 10. *Trademarks*
>
> LICENSEE hereby acknowledges that the terms "WINDSURFER", "WINDSURFING", and "WIND SURF" and the logo which is attached hereto as Exhibit 3 are all valid trademarks. LICENSEE hereby agrees not to use any of the trademarks identified in

> this paragraph 10 in any form or fashion in its company name or any of its literature or advertising or promotional material or on any products whatsoever.

The district court said that whether that provision gives rise to a patent misuse defense depends on whether the registered trademarks are generic. Having found the marks generic, the court concluded "that Paragraph 10 has an intrinsically inhibiting effect on competition beyond the scope of the patent. . . ." 613 F. Supp. at 953, 227 USPQ at 942.

The Court went on to determine that the "level of misuse" did not warrant rendering the patent entirely unenforceable because the court found the "record insufficient to determine fairly the extent to which WSI sought to enforce the provision and the extent of any monetary gain to it" and also found the record insufficient to support a finding that "WSI necessarily would or should have known that its marks had become a common descriptive name for the product." *Id.*

The court set the damages issue for determination at a later time, deferred until that time "the resolution as to what relief, if any, WSI's misuse of its patent privilege warrants," and decided to enforce the '167 patent. *Id.*

In its cross-appeals, WSI contends that a mere inclusion in a patent license agreement of a promise not to infringe a licensor's trademark does not constitute patent misuse. Acts constituting misuse, says WSI, must be "coercive" toward an improper advantage. WSI argues that it was merely asserting rights it possessed under the trademark laws and, thus, the patent misuse defense should fall.

The doctrine of patent misuse is an affirmative defense to a suit for patent infringement, *see Bio-Rad Laboratories, Inc.* v. *Nicolet Instrument Corp.*, 739 F.2d 604, 617, 222 USPQ 654, 664 (Fed. Cir.), *cert. denied,* 105 S. Ct. 516 (1984), and requires that the alleged infringer show that the patentee has impermissibly broadened the "physical or temporal scope" of the patent grant with anticom-

petitive effect. *Blonder-Tongue Laboratories, Inc.* v. *University of Illinois Foundation*, 402 U.S. 313, 343, 169 USPQ 513, 525 (1971). We have been cited to no authority, and are aware of none, for the proposition that patent misuse may be found on the basis of a patent license agreement provision recognizing and forbidding use of the licensor's validly registered trademarks.

To sustain a misuse defense involving a licensing arrangement not held to have been per se anticompetitive by the Supreme Court,[9] a factual determination must reveal that the overall effect of the license tends to restrain competition unlawfully in an appropriately defined relevant market. A provision in a patent license agreement requiring the licensee to acknowledge the validity of registered trademarks, and to avoid their use, cannot possibly restrain competition unlawfully in an appropriately defined relevant market. The license agreement provision merely asserted and recognized WSI's rights derived from the trademark laws. The assertion of trademark rights can have procompetitive effects, *see generally*, 1 J.T. McCarthy, *Trademarks and Unfair Competition* §2.1, at 44-49 (2d ed. 1984), and thus under only the most rare of circumstances could such assertion, separately or as a provision in a patent license agreement, form in itself the basis for a holding of inequitable conduct such as that labeled "patent misuse". It is not an uncommon precaution when licensing a product sold by the licensor under a trademark to prohibit

9. Recent economic analysis questions the rationale behind holding any licensing practice per se anticompetitive. *See, e.g., USM Corp.* v. *SPS Technologies, Inc.*, 694 F.2d 504, 510-14, 216 USPQ 959, 963-66 (7th Cir. 1982), *cert. denied*, 462 U.S. 107 (1983); *Competition Policy and the Patent Misuse Doctrine*, Remarks by Roger B. Andewelt, Chief, Intellectual Property Section, Antitrust Division, Department of Justice, Before the Bar Association for the District of Columbia, Patent, Trademark & Copyright Section, 25 Pat. Trademark & Copyright J. (BNA) No. 604 at 41, 44-45 (Nov. 11, 1982); *cf. Continental TV, Inc.* v. *GTE Sylvania, Inc.*, 433 U.S. 36 (1977) (changing the per se prohibition on vertical restrictions to a rule of reason approach).

the licensee from using the licensor's trademark on the licensee's product. That is but a matter of business prudence and in no manner misuses the patent right.

That the marks were found generic after trial and long after execution of the license cannot of itself prevent a full enforcement of the '167 patent. Trademark registrations enjoy a statutory presumption of validity. 15 U.S.C. §1057 (b) (1982). As the district court found, AMF failed to show that WSI granted the licenses or enforced its rights in the marks with knowledge that they were or had become a common descriptive name, and AMF failed to show that WSI should have had that knowledge. On the present record, the district court was improperly persuaded to rest its holding of misuse entirely on an after-the-fact determination that the marks are generic. Because that was error, the holding that the facts of record established a misuse of the patent right must be reversed.[10]

(4) Injunctions

The statute, 35 U.S.C. §283, empowers district courts to "grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable." The statute makes clear that the district court's grant or denial of an injunction is within its discretion depending on the facts of each case. *Roche Products, Inc.* v. *Bolar Pharmaceutical Co.*, 733 F.2d 858, 865-66, 221 USPQ 937, 942-43, (Fed. Cir.), *cert. denied,* 105 S. Ct. 183 (1984). Hence, the district court's grant or denial of an injunction is reviewed under an abuse of discretion standard. *See Trans-World Manufacturing Corp.* v. *Al Nyman & Sons, Inc.*, 750 F.2d 1552, 1564, 224 USPQ 259, 266 (Fed. Cir. 1984).

The holding of misuse having been reversed, we need not address AMF's contention that the district court should not have enjoined further infringement of the '167 patent in light of that holding.

10. We need not, in view of our determination, discuss the patries' contentions respecting the purging of misuse.

AMF argues that the district court improperly ignored its intervening rights, a defense it contends was raised in the pleadings and at the injunction hearing, citing *Seattle Box Co.* v. *Industrial Crating & Packing, Inc.*, 756 F.2d 1574, 1579, 225 USPQ 357, 361 (Fed. Cir. 1985). *See* 35 U.S.C. §252 (1982).[11] AMF made no mention of its intervening rights defense at the trial.

Nothing in *Seattle Box* addresses the point at which the intervening rights defense must be raised to preserve it. Intervening rights, however, is "an affirmative defense . . . that must be raised at trial." *Underwater Devices, Inc.* v. *Morrison-Knudsen Co.*, 717 F.2d 1380, 1388, 219 USPQ 569, 575 (Fed. Cir. 1983); *see* 35 U.S.C. §282. That AMF pleaded the defense is insufficient. That it failed to make any attempt to prove the defense at trial is in this case fatal. AMF cannot be held to have resuscitated the defense by the mere submission of affidavits at a post-trial hearing. To so hold would run counter to the finality attaching to trials. District courts are under no obligation to consider a defense abandoned at trial. Accordingly, no abuse of discretion having been shown, we affirm the district court's grant of injunctive relief against AMF and BIC.

On its cross-appeal, WSI urges that the district court abused its discretion in refusing to enjoin Downwind. In denying injunctive relief against Downwind, the district court stated from the bench:

> I am prepared to say at the present time that I do not believe that an injunction against Downwind is appropriate. As bad as Windsurfing's problems I am prepared to believe may be, I do not believe that enjoining Downwind, which is such a small operation, would solve their problems, not that I think an injunction's purpose is simply to solve its problems; and so I mention that because I don't think you need to argue further on that.

11. BIC has not raised an intervening rights defense.

The relative size of multiple infringers should not alone serve as a basis for enjoining continued infringement by some and not others.[12] The district court articulated no other basis for denying injunctive relief against Downwind. On the present record, therefore, we must conclude that the district court abused its discretion in refusing to enjoin Downwind. Accordingly, we remand the case to the district court to reconsider WSI's request for an appropriate injunction against Downwind.

CONCLUSION

The judgment of the district court upholding the validity of claims 15-21 of the '167 patent and finding them infringed, and the grant of injunctions against AMF and BIC are affirmed. The judgment that WSI is guilty of patent misuse is reversed. The case is remanded with instructions to vacate the order denying an injunction against Downwind and to reconsider WSI's request for that injunction.

AFFIRMED IN PART, REVERSED IN PART, VACATED IN PART, AND REMANDED

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12. Downwind said its infringing sales were between 1,000 and 2,000 sailboards a year since it began operations in 1981. AMF was selling about 1,800 sailboards a year during the same four-year period. That sailboards are Downwind's primary product, and that an injunction might therefore put Downwind out of business, cannot justify denial of that injunction. One who elects to build a business on a product found to infringe cannot be heard to complain if an injunction against continuing infringement destroys the business so elected. The district court, recognizing the absence of bad faith on the part of all parties, weighed the effect of its orders on each. In so doing it indicated that WSI's entire business was built on sailboards and accessories, and thus that Downwind and WSI were in the same boat. Under those circumstances, no warrant appears on this record for denying the requested injunction against continued infringement by Downwind.

APPENDIX B

APPENDIX B

Competition Policy and the Patent Misuse Doctrine

Remarks by
Roger B. Andewelt, Chief
Intellectual Property Section
Antitrust Division

Before the

Bar Association for the District of Columbia
Patent, Trademark, and Copyright Section
Washington, D.C.
November 3, 1982

During the past year, Antitrust Division representatives, including myself, have made a series of speeches in which we have discussed the patent antitrust interface.[1] The general theme of these speeches has been that analysis of issues at the interface frequently has been economically misguided and that the resulting confusion has impaired competition in the marketplace.

In these speeches, we have rejected the notion that the patent grant is irreconcilable with the philosophy behind the antitrust laws; we have explained that the two sets of laws are complementary—they are each directed at optimizing economic conditions for the benefit of this country's consumers. We have stressed that the availability of a patent grant can enhance competition; it increases the incentives for firms to develop and market new competing products and to develop new and more efficient means of producing existing products, and it results in firms disclosing inventions that otherwise would not be disclosed.

1. *See, e.g.*, "Current Antitrust Division Views on Patent Licensing Practices," Remarks Of Abbott B. Lipsky, Jr., Deputy Assistant Attorney General, Antitrust Division, before the American Bar Association Antitrust Section (Nov. 5, 1981); "Basic Principles to Apply at the Patent-Antitrust Interface," Remarks by Roger B. Andewelt, Chief, Intellectual Property Section, Antitrust Division, before the Houston Patent Law Association (Dec. 3, 1981).

Similarly, we have explained that exploitation of patents by licensing can have analogous procompetitive benefits. It can permit licensees to create new competitive products and to manufacture existing products at cheaper costs. Moreover, the opportunity to exploit patents through licensing will increase the perceived rewards from investing in R&D and thereby should result in increased R&D investment and increased discoveries of patentable inventions.

Next, we have noted that since a patent is one of numerous inputs that can be used in the manufacture and marketing of a product, patent licensing often properly can be viewed as a vertical arrangement. In view of the vertical nature of the patent license and the potential procompetitive effects involved, we have stressed that *per se* treatment of patent licenses under the antitrust laws generally is not appropriate. In this regard, we have criticized as analytically unsound and economically counterproductive, the Antitrust Division's contention in the mid-1970's that any patent license that contains any one of nine specified provisions should be deemed *per se* illegal under Section 1 of the Sherman Act. We took an economic look at each of these allegedly *per se* illegal provisions and concluded that in certain not uncommon fact situations, each provision could be an appropriate part of a procompetitive licensing arrangement.

On the other hand, we have recognized that a patent license can be anticompetitive when its effect is to decrease the incentive of the licensor or licensee to compete through innovation or otherwise, or when it in some other way facilitates collusion in the market. Therefore, we rejected the notion advocated by some that restrictions in patent licenses relating to use of a patented product are *per se* legal.

Based on this analysis, we have concluded that patent licenses generally should be evaluated under the rule of reason. In such an analysis, a factual determination should be made as to the effect of the license on competition in

appropriately defined economic markets, and the license should be condemned only where on balance it significantly restrains competition in such a market.

If I were to try to give a capsule summary of these recent speeches by Antitrust Division representatives, I would say that they have been an attempt to bring economic rationality to the patent antitrust area by proffering three interrelated basic economic notions. First, the existing patent grant should not be viewed as a threat to our free enterprise system, but rather as an important part of it. Second, exploitation of market power lawfully obtained through patents should be treated no differently than exploitation of market power derived through any other lawful means such as superior management or superior product distribution; such exploitation should be proscribed only when it functions anticompetitively. Third, the determination of when a particular licensing arrangement has anticompetitive effects can be complex and typically should not be handled under a *per se* doctrine; instead, the determination should be fact-specific with the inquiry focusing on the terms of the arrangement and the structure of the economic markets affected.

However, even if these three notions were immediately adopted and the confusion at the patent antitrust interface was cleared up, this in itself would not assure that patent owners would legally be free to license their patents in economically beneficial ways. The reason is that liability under the antitrust laws is not the sole legal deterrent that a patent owner must consider when evaluating a potential licensing arrangement. The patent owner also must consider the currently unrelated doctrine of patent misuse.

Patent misuse is a judicially created doctrine founded in the courts' equitable powers. It has evolved separately from the antitrust laws, but like those laws, it is used to attack patent licensing practices which are claimed to be undesirable from a public policy standpoint.

The sanctions for misusing a patent is harsh; the patent is unenforceable against anyone until the misuse has been

eliminated and its effects on the market-place have been purged. Therefore, patent owners can be expected to avoid entering into patent licenses that may amount to patent misuse. If our aim is to assure that courts do not interfere mistakenly with procompetitive patent licensing, it is not sufficient to focus only on the soundness of antitrust enforcement; it also is necessary to assure that the misuse doctrine is applied in a manner consistent with sound economic principles.

Unfortunately, much of the criticism that I have previously noted and summarized today concerning misguided economic analysis at the patent-antitrust interface is equally applicable to certain applications of the patent misuse doctrine. Patent misuse frequently has been applied in a manner inconsistent with the three basic economic notions for treatment of patents that I mentioned earlier. Misuse cases have exhibited an improper and economically damaging hostility to market power resulting form patents; patent misuse has been applied as a *per se* doctrine prohibiting conduct which careful economic analysis demonstrates is not necessarily anticompetitive and, in fact, often is procompetitive. The proper solution is analogous to the approach taken by the Supreme Court when in *Continental TV*[2] it abandoned the *per se* rule of *Schwinn*;[3] we should reject improper *per se* misuse rules and prohibit conduct on economic grounds only when economic analysis demonstrates the conduct to be anticompetitive. Since the antitrust laws are the appropriate vehicle for evaluating competitive effect, conduct should not be condemned as patent misuse on economic grounds unless the conduct is inconsistent with the antitrust laws.

I think the best way to understand the perceived basis for and the current application of the misuse doctrine is to

2. Continental TV, Inc. v. GTE Sylvania, Inc., 433 U.S. 36 (1977), on remand, 461 F. Supp. 1046 (N.D. Cal. 1978), aff'd, 1982-2 CCH Trade Cases ¶64,962 (9th Cir. 1982).

3. United States v. Arnold, Schwinn & Co., 388 U.S. 365 (1967).

study the history surrounding the birth of the doctrine and the doctrine's subsequent development. It makes sense to start by spending a few minutes focusing on relevant early case law.

During the 1800's and early 1900's, the courts frequently considered the metes and bounds of the patent grant. Not surprisingly, in these early decisions the courts gave great weight to the patent owner's exclusive rights to make, use, and sell the patented inventions and to the terms of the contracts involved when the patent owner relinquished those rights. The courts frequently rejected arguments that public policy demanded that the courts in some way alter the agreement between the parties, as sometimes is done under the patent misuse doctrine. Thus, when a patent owner unconditionally sold or licensed a patented product, the courts did not permit him thereafter to rely upon the patent to control a purchaser's use of the patented products because no such condition had accompanied the sale or license.[4] On the other hand, the courts permitted such control where the sale or license was made subject to such conditions; the licensor could sue its licensee for patent infringement when the licensee used the patented invention in a manner inconsistent with the conditions of the license. The two most interesting and most important of the early cases enforcing such conditional sales and licenses are the *Button Fastener*[5] and *Henry v. A.B. Dick Co.* cases.[6] I commend their reading to each of you, especially the *Button Fastener* decision.

In *Button Fastener,* the patent covered a very successful machine for fastening buttons on shoes using unpatented staples. The patent owner sold the patented machines but through a label on the machine conditioned the sale on the

4. *See, e.g.,* Mitchell v. Hawley, 83 U.S. 544, 16 Wall. 544 (1872); Bloomer v. McQuewan, 55 U.S. 326, 14 How. 539 (1852).

5. Heaton-Peninsular Button-Fastener Co. v. Eureka Specialty Co., 77 F. 288 (6th Cir. 1896).

6. 224 U.S. 1 (1912), overruled, Motion Picture Patents Co. v. Universal Film Manufacturing Co., 243 U.S. 502 (1917).

buyer purchasing the necessary staples from the patent owner. The patent owner brought a contributory infringement action against an independent staple manufacturer who sold staples to these buyers for use with the patented machine. The defendant alleged that the condition of sale should be voided because the "public policy in respect of monopolies and contracts in restraint of trade" forbids a patent owner from using a monopoly in the machines to create a monopoly in the unpatented staples.[7]

The Court of Appeals for the Sixth Circuit agreed that public policy should control and, after undertaking an economic analysis, concluded that enforcement of the condition represented sound public policy. The court indicated that if the patent had resulted in an inherently cheaper means of manufacturing shoes, the patent owner could have refused to license, practiced the patent himself, and thereby obtained a monopoly in the sale of unpatented shoes. This conduct would have destroyed the shoe market for all who had previously participated, but it nevertheless would have been legitimate because any such conduct "could endure so long only as shoes were supplied at a less price than had prevailed before the invention." The court reasoned that since the patent owner could legitimately monopolize the sale of unpatented shoes, it could hardly be deemed anticompetitive for the patent owner instead to license other shoe manufacturers on the condition that they purchase fasteners from him.[8]

The court indicated that the same basic principles of analysis should apply on the facts of the *Button Fastener* case, even though the patented machine was not so great a leap forward as to enable the patent owner to control all shoe manufacturing. The patent owner had chosen to achieve some of the value of his patented invention through the sale of staples. The staples were merely the "counters by which the royalty proportioned to the actual use of the

7. *Id.* at 292.

8. *Id.* at 295.

machine is determined." Any control that the patent owner achieved over the sale of staples was "incident from" and "a legitimate result of" the patent owner's control over the patented machine. The amount of staple sales the patent owner controlled would depend on the merits of the patented machine, and the control would exist only so long as the patented machine was not superseded by other means of fastening buttons on shoes. For these reasons, the court found the conditional license "neither obnoxious to public policy, nor an illegal restraint of trade."[9]

Sixteen years later, the Supreme Court came to the same basic conclusion in *Henry v. A.B. Dick.* The patent covered a mimeograph machine and the patent owner sold the machines on the condition that the unpatented paper and ink used in the patented machines would be purchased from the patent owner.[10] The Supreme Court indicated that the patent reward should be treated favorably because it promotes broad public policies by encouraging the act of invention.[11] The Court concluded that the licensee had not been harmed by the terms of the license. The patent owner merely had chosen to take his profit through the sale of accessories rather than by charging a higher price for the machines.[12] If the patent owner's price for paper and ink were too high and not in keeping with the benefits of the patented mimeograph machine, mimeographers simply could stop purchasing or cease using the patented machine.[13] The Court rejected the motion that the condition had the effect of creating a monopoly in unpatented

9. *Id.* at 296.

10. 224 U.S. 1 (1912). Interestingly, the decision in *A.B. Dick* was written by Justice Lurton who had also written the *Button Fastener* decision while a member of the Court of Appeals for the Sixth Circuit.

11. *Id.* at 27.

12. *Id.* at 32.

13. *Id.* at 34.

paper and ink or of making these products patented. The Court indicated that everyone remained free to manufacture and sell these products for all uses except for use with the patented machine. Finally, the Court warned that the patent owner's right to exclude others from using a patented invention is statutory in nature and constitutionally based and that if a limit were to be put on this right to exclude, it should be done in a legislative forum and not a judicial one.[14]

Five years later, however, in the *Motion Picture Patents* case,[15] the Supreme Court overruled *A.B. Dick* and thereby gave birth to the misuse doctrine. The patent covered a film feeder used in a motion picture projector. The patent owner had sought to condition a license under the patent on the licensee agreeing to show only motion pictures leased from persons authorized by the patent owner. The patented film feeder was so revolutionary that projectors using it quickly displaced prior projectors, and the patent owners thus held a dominant position in the field. The Court of Appeals for the Second Circuit had ruled that the patent owner's conduct violated Section 3 of the Clayton Act, 15 US.C §14, which had been enacted since the Supreme Court's decision in *A.B. Dick*. Section 3 forbids the lease or sale of products, on the condition that the lessee or purchaser not use or deal in the goods of any competitor of the lessor or seller "where the effect of such [transaction] . . . may be to substantially lessen competition or tend to create a monopoly in any line of commerce."

On appeal, the Supreme Court did not reach the issue of whether the conduct involved violated Section 3 of the Clayton Act. The Court affirmed instead on the grounds that public policy demanded voiding such a condition in a license regardless of whether it violated Section 3. However, the Supreme Court did rely on enactment of Section

14. *Id.* at 35.

15. Motion Picture Patents Co. v. Universal Film Manufacturing Co., 243 U.S. 502 (1917).

3 as the signal of legislative condemnation of the general conduct involved—the signal that the Court had found lacking in *A.B. Dick.*

Consistent with the approach taken in *Button Fastener,* the Supreme Court concluded that the lawfulness of a conditional patent license is determined under the general law, not the patent law. However, the courts in *Button Fastener* and *A.B. Dick,* the Court found the conditional license violative of the general law because by imposing the condition, the patent owner sought to control unpatented products outside the scope of the patent claims. The patent owner's reward for inventive genius, the Court said, should be measured by his contribution to the public stock of knowledge. If his discovery is important, his reward will be large, but if it is unimportant, "he should not be permitted by legal devices to impose an unjust charge upon the public."[16] To enforce the restriction, the Court reasoned, would be to create a "monopoly" in the unpatented motion picture film industry, thus in effect giving the patent owner the power to fix the price of the film. Moreover, the patent owner would be in a position by varying his royalty charge to "ruin anyone unfortunate enough to be dependent upon" the patent.[17]

The Supreme Court criticized the *Button Fastener* decision as being based on the argument that because a patent

16. *Id.* at 513.

17. *Id.* at 515. In reaching this later conclusion, the Court also was referring to another condition that accompanied the projectors: the patent owner reserved the right in the future to impose "other terms" on projector users. The patent owner used this restriction to impose a further charge based upon the size of the theater in which the projector was used. The Court ruled that this restriction was "plainly void" because it would be "gravely injurious to [the] public interest." The Court said that the film industry "must be recognized as an important element in the amusement life of the nation" and that the licensing scheme would give the patent owner "a potential power for evil over [the] . . . industry." *Id.* at 519. In addition, "cost, inconvenience and annoyance to the public" would result if machines, the use of which was subject to future discretionary decisions of the patent owner, were in channels of trade. *Id.* at 516.

owner can withhold its patent altogether from public use, he must logically and necessarily be permitted to impose upon use of the product any conditions he chooses. The Court rejected the argument that the arrangement benefitted the public by making the patented machine available at cost and, hence, available to more purchasers. The Court indicated that, in fact, this argument tended to buttress the Court's decision because it showed that the patent owner intended to derive his profit from unpatented supplies which are wholly outside the scope of the patent monopoly.

In refusing to enforce a presumably valid patent against an infringer based on such public policy grounds, the Supreme Court in effect gave its stamp of approval to what has eventually became known as the patent misuse doctrine.

Courts gradually but continually expanded the misuse doctrine. They found patent misuse so clearly contrary to public policy that the misuse defense was made available to individuals who knowingly infringed a valid patent and who were neither parties to the contract that constituted misuse nor even affected by the particular misuse.[18] Two basic lines of patent misuse cases arose. The primary line involved alleged efforts to use the patent to control commerce outside the scope of the patent claims. Relying essentially upon the rationale in *Motion Picture Patents,* the courts concluded that it was patent misuse for the patent owner to require the licensee to purchase unpatented products from a particular source (tie-in),[19] require the licensee to refrain from dealing in products that compete with the patented product (tie-out or exclusive dealing),[20]

18. *See, e.g., Morton Salt Co. v. G. S. Suppiger Co.,* 314 U.S. 488, rehearing denied, 315 U.S. 826 (1942).

19. *See, e.g., Morton Salt Co., supra* n.18; Mercoid Corp. v. Mid-Continent Investment Co., 320 U.S. 661, rehearing denied, 321 U.S. 802 (1944); Mercoid Corp. v. Minneapolis-Honeywell Regulator Co., 320 U.S. 680, rehearing denied, 331 U.S. 802 (1944).

20. National Lockwasher Co. v. George K. Garrett Co., Inc., 137 F.2d 255 (3d Cir. 1943); McCullough v. Kammerer Corp., 166 F.2d 759 (9th Cir.), cert. denied, 335 U.S. 813 (1948).

require the licensee that wanted a license only under one patent to also take a license under a group of additional patents (compulsory package licensing),[21] or require the licensee to pay royalties under the patent based in whole or part on the sales of an unpatented product (total sales royalties).[22]

The second line of misuse cases involved the decisions of the patent owner as to whether or not to license a particular party and, if so, at what royalty. Relying apparently on the *Motion Picture Patents* rationale that public policy frowned on the patent owner "ruining anyone unfortunate enough to be dependent upon the patent," the courts have found misuse where the patent owner licensed one licensee at a rate different than the rate charged other licensees,[23] refused to license a patent which it licensed to others,[24] and even where the patent owner charged rates that were deemed exorbitant and oppressive.[25]

However, while the scope of the patent misuse doctrine expanded, the basic analysis of why the acts said to constitute misuse were contrary to public policy did not change significantly from the rationale enunciated in *Motion Picture Patents.* With respect to the first line of misuse cases involving use of the patent to affect commerce outside the scope of the patent, the courts either relied on *Motion Picture Patents* and its progeny for the notion that the conduct was competitively harmful, or simply assumed that

21. Zenith Radio Corp. v. Hazeltine Research, Inc., 395 U.S. 100, on remand, 418 F.2d 21 (7th Cir. 1969), reversed, 401 U.S. 321, rehearing denied, 401 U.S. 1015 (1971).

22. *Id.*

23. The Laitram Corp. v. King Crab Inc., 244 F. Supp. 9, modification denied, 245 F. Supp. 1019 (D. Alaska 1965).

24. Allied Research Products, Inc. v. Heatbath Corp., 300 F. Supp. 656 (N.D. Ill. 1969).

25. American Photocopy Equipment Co. v. Rovico, Inc., 359 F.2d 745 (7th Cir. 1966).

the effect of such conduct necessarily was anticompetitive.[26] I submit, however, that the approach taken in these cases is economically unsound and, in fact, is inconsistent both with the basic economic principles for proper treatment of patents that I summarized earlier and with the guidance for economic analysis that the Supreme Court enunciated in *Continental TV*.

The effect of these cases is to treat market power derived from patents more harshly than market power derived from other lawful means. Courts do not interfere on economic grounds with the exploitation of other forms of market power unless such exploitation is inconsistent with the antitrust laws or other applicable legislation. However, the misuse doctrine provides sanctions against and thereby deters conduct regardless of whether it is inconsistent with any of these statutes.[27] The cases provide no satisfactory explanation as to why the public would benefit from such harsher treatment for market power derived through patents.

Next, and more importantly, these cases misjudge the public interest by creating what amounts to a *per se* prohibition on the patent owner conditioning a patent license in certain ways which affect commerce outside the scope of the patent monopoly. Indeed, certain of the conduct that has been classified as misuse is the very same conduct involved in the nine "no-no's" of patent licensing that the

26. Indeed, in 1943 in *Mercoid Corp.* v. *Minneapolis Honeywell Regulator Co.*, 320 U.S. at 684. Justice Douglas speaking for the majority indicated that "[t]he legality of any attempt to being unpatented goods within the protection of the patent is measured by the anti-trust laws not by the present law" and proceeded without any economic analysis to conclude that the antitrust laws were "plainly" violated by a patent owner's effort to use the patent to control competition in an unpatented device which was part of a patented machine and useful only in that manner.

27. *See, e.g.*, Morton Salt Co. v. Suppiger Co., 314 U.S. 494 (1942). "It is unnecessary to decide whether respondent has violated the Clayton Act, for we conclude that in any event the [conditional license] . . . is contrary to public policy."

Division concluded does not warrant *per se* antitrust prohibition because of a very real potential for procompetitive effects. The potential procompetitive benefits of tie-ins, tie-outs, mandatory package licensing, and basing royalties on other than the licensee's sale of the patented product were summarized in a speech given by Deputy Assistant Attorney General Abbott B. Lipsky, Jr. in November of last year.[28] A *per se* prohibition of such licenses under the misuse doctrine therefore is inconsistent with the public interest because it simply will serve to rob the public of these potential procompetitive benefits.

While I do not intend to repeat here our previous explanations of why these provisions can be procompetitive, I think a couple of related comments concerning the case law I have discussed may be helpful.

First, the Supreme Court in *Motion Picture Patents* reaches a fundamentally different conclusion than the courts in *Button Fastener* and *A. B. Dick* concerning what advantages a patentee may obtain by use of a conditional sale or license that affects commerce outside the scope of the patent claims. In *Motion Picture Patents,* the Supreme Court concluded that these "legal devices" can be used "to obtain an unjust charge on the public" since the patentee can obtain high royalties for unimportant patents. In *Button Fastener* and *A. B. Dick,* the courts concluded, in effect, that no such "unjust charge" is possible because a patentee cannot be forced to pay more for such a conditional sale or license than the licensee concludes the combination of the patented machine and the unpatented accessories are worth. It appears that the approach of the courts in *Button Fastener* and *A. B. Dick* on this point are correct.

If the terms of the conditional sale or license are unsatisfactory, the licensee simply can refuse to enter into the conditional transaction. In such a case, the licensee has the choice of not engaging in the relevant business or

28. *See,* n.1., *supra.*

of engaging in the business by using existing reasonable substitutes tc accomplish the same result as the patented machine and the accessories. Indeed, sellers of substitutes for the patented machine and tied accessories compete with the patent owner since the prices they charge affect the purchasers' ultimate decision as to whether to enter a conditional purchase or license of the patented machine. Moreover, the less significant the patented advance is, the more likely it is that existing products will be reasonable substitutes for the patented machine and accessories. Therefore, it is difficult to conceive of a situation where a businessman seeking to make as much profit as possible will be forced to pay exorbitant royalties for unimportant inventions by a patentee's use of the type of conditional sale or license that I have been discussing.

Second, it is undisputedly a major concern of the antitrust laws that private agreements do not result in artificially restricted output of any particular product. However, the agreements involved in *Button Fastener* and *A.B. Dick* had the potential to bring consumer benefit by increasing output of the patented machine involved. In these cases the patent owners sought to sell the patented machines at cost and obtain profit through sale of unpatented accessories used with the machines. In each case, the procedure enabled some low volume users of the patented machine to purchase the machine and the unpatented accessory at a lower total price than would have resulted if the patentee sold the machine at a single sales price which included all of the profit the patent owner was going to obtain as a result of the patent. It is possible that some of those low volume users may not have purchased the machine at the higher price. Since any potential increase in output could be beneficial, it is not sound, absent additional facts, to conclude that the patent owners' efforts in *Button Fastener* and *A. B. Dick* to derive their profit through sale of unpatented products was necessarily inconsistent with sound public policy.

Third, the Supreme Court was correct in *Motion Picture Patents* when it concluded that a patent owner's ability to withhold a patent from the public does not mean that the patent owner is free to impose any condition on its use. However, this does not mean that any particular condition employed by the patent owner that affects competition in products outside the scope of the patent is necessarily anticompetitive or otherwise undesirable from a public policy viewpoint.

I want to stress that I am not suggesting that conditional licenses or sales of patented products such as involved in *Motion Picture Patents* cannot have anticompetitive effects. Rather, my essential point is that the competitive process is complex, and conduct that at first blush appears to be anticompetitive may after detailed economic analysis turn out to be procompetitive. It is only by going through a proper antitrust analysis that a determination can be made as to whether on balance the conduct is procompetitive or anticompetive. Indeed, in recognition of this basic point, the Supreme Court in *Continental TV* reversed its *per se* treatment of nonprice vertical restrains, holding that "[d]eparture from the rule-of-reason standard must be based upon demonstrable economic effect rather than . . . upon formalistic line drawing."[29]

The notion that affecting commerce outside the scope of the patent is *per se* contrary to public policy is precisely the type of formalistic line drawing that should not survive *Continental TV*. The fact that a license affects competition outside the scope of the patent says nothing determinative about the net competitive effect of the license.[30]

29. 433 U.S. at 58-59.

30. Even with respect to tying, which has been classified as *per se* unlawful under existing antitrust precedent, the antitrust laws are violated only if it is demonstrated that the defendant has market power in the tying product and that a not insignificant amount of commerce in the tied product is affected. *See, e.g.,* United States Steel v. Fortner Enterprises, Inc., 429 U.S. 610 (1977).

Therefore, to the extent that the misuse doctrine proscribes on economic grounds conduct that is not unlawful under an antitrust analysis, the doctrine is inconsistent with sound competition policy because it can deter procompetitive or otherwise desirable conduct. This economic divergence of the misuse doctrine from the antitrust analysis represents unsound economic policy that should not survive post-*Continental TV* competiton analysis.[31]

Similarly unsupportable on economic grounds are the second line of misuse cases I described previously, where the courts found misuse when the patent owner either refused to license a patent, licensed a patent at a different rate than the patent was licensed to others, or licensed the patent at too high a rate. This type of conduct will seldom if ever raise true competitive concerns. In deciding who to license and how much to charge, the patentee typically is simply seeking to exercise its exclusive rights in a manner that will maximize its profits. It is true as the Supreme Court noted in *Motion Picture Patents* that the progress of science was of primary import to the drafters of the patent laws and that pecuniary reward to the patentee was of secondary importance. However, the two concepts are totally interpendent. Any significant tampering with the patent owner's exclusive rights can lead to a perception of decreased value of a patent, and this perception can result in decreased R&D and hence decreased progress of science. Therefore, the courts should be very hesitant to interfere with the patent owner's exercise of his exclusive patent right, and licensing decisions such as are involved in this second line of misuse cases generally should be classified as misuse only if they violate the antitrust laws.

31. Indeed, it is somewhat mystifying to me how the Supreme Court found support in Section 3 of the Clayton Act for its views of the public policy enunciated in *Motion Picture Patents,* when the Court did not determine whether the conduct violated Section 3. If the conduct in fact fell outside the prohibition of Section 3, it seems that the much stronger argument is that Congress concluded that public policy did not favor deterrence of such conduct rather than that Congress favored it.

This is not to say that there are no situations short of an antitrust violation where courts, in exercise of their equitable jurisdiction, properly should refuse to enforce a valid patent. Courts occasionally have refused to enforce a valid patent where the patentee engaged in inequitable conduct before the Patent Office.[32] Such decisions are sound, however, because there is a clear and definite public policy behind them; unless patent applicants are held to a high level of ethical conduct the ex parte patent examination process will be unacceptably unreliable. However, it is crucial that whenever courts decline to enforce a valid patent, there should be such a clear and definite public need to do so. Patents are an important part of our economic system, and courts should interfere with the patentee's exclusive rights with the same hesitancy as courts have traditionally exhibited when asked to interfere with exclusive rights in other forms of property. Any other course of action will tend to devalue the patent and interfere with the incentive structure envisioned in the patent laws.

As a final note, one caveat should be obvious—I have discussed where the law should be rather than where it is. While, ultimately, I am satisfied that the law will develop to a point where the misuse doctrine is consistent with sound economic principles, at this point patent owners are vulnerable to charges that they have misused their patents even though their conduct is procompetitive and is fully consistent with the policies behind the antitrust laws.

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32. *See e.g.*, E.I. du Pont de Nemours & Co. v. Berkley & Co., 620 F.2d 1247 (8th Cir. 1980); Pfizer Inc. v. International Rectifier Corp., 538 F.2d 180 (8th Cir. 1976).

No. 85-1780

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CLERK

IN THE

Supreme Court of the United States

October Term, 1985

BIC LEISURE PRODUCTS, INC. and
WINDGLIDER FRED OSTERMANN, GmbH,

Petitioners,

vs.

WINDSURFING INTERNATIONAL, INC.,

Respondent.

SUPPLEMENTAL APPENDIX
(OPINION OF THE DISTRICT COURT)

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EDITOR'S NOTE

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UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF NEW YORK

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81 Civ. 254 (MEL)

WINDSURFING INTERNATIONAL, INC.,

Plaintiff,

and

JAMES R. DRAKE,

Intervenor-Plaintiff,

against

FRED OSTERMANN GmbH, et al.,

Defendants.

---

83 Civ. 1691 (MEL)

AMF INCORPORATED,

Plaintiff,

against

WINDSURFING INTERNATIONAL, INC.,

Defendant,

and

JAMES R. DRAKE,

Intervenor-Defendant.

---

83 Civ. 3774(MEL)

BIC Leisure Products, Inc., and Windglider Fred Ostermann, GmbH,

Plaintiffs,

against

Windsurfing International, Inc.,

Defendant,

and

James R. Drake,

Intervenor-Defendant.

And Related Actions

James R. Drake,

Cross-Claimant,

against

Windsurfing International, Inc.,

Cross-Defendant.

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LASKER, D.J.

At a social gathering in early 1967 two friends James Drake and Hoyle Schweitzer, then living in California, began discussing the idea of combining the sports of sailing and surfing to create a type of sailing surfboard. The requisite materials were collected in Drake's garage where a make-shift workshop was set up for production. By summer of that year the co-inventors were ready to "launch" their first "sailboard."[1] The craft featured a Bermuda sail with a curved boom on each side of the sail (i.e., a "wishbone" boom) joined by a universal joint to a modified surfboard hull. In March of 1968 Drake and Schweitzer, as co-inventors, filed an application for a United States patent which originally issued in January, 1970. In 1969 Schweitzer assigned his patent rights to Windsurfing International, Inc. ("WSI"), of which he is the Chairman of the Board of Directors. In 1973 WSI purchased Drake's rights in the patent. The patented sailboard is the focus of this dispute.

This litigation involves three consolidated actions relating to the validity, infringement and enforceability of United States Reissue Patent No. 31,167 ("the '167 patent" or "the patent"). All of the cases were tried to the bench in a single trial. In the first action (81 Civ. 254) WSI asserts that BIC Leisure Products, Inc. ("BIC"), AMF Incorporated ("AMF") and Downwind, Inc. ("Downwind")[2] are manufacturing and selling sailboards which infringe on the '167 patent. In the second, (83 Civ. 1691) AMF seeks a declaratory judgment that the '167

1. Since one of the issues to be resolved is whether "windsurfer" is a generic term for the craft we will refer throughout this opinion to the patented craft as a "sailboard".

2. Downwind relies on the defense of BIC and AMF to WSI's claims of infringement and did not actively participate in the trial nor did it submit a post trial brief. *See* Transcript at p. 8 (hereinafter "Tr. ___").

patent is invalid, unenforceable on the grounds of misuse and not infringed. In addition, AMF requests the cancellation of WSI's "WINDSURFER" and related trademarks on the grounds that they have become generic. Finally, in 83 Civ. 3774, brought by BIC against WSI, BIC seeks a declaration that the patent is invalid, unenforceable and not infringed.[3] BIC and AMF both assert that the patent is invalid because the claimed invention was obvious under 35 U.S.C. § 103. (1982).

For the reasons set forth below we conclude that the patent-in-suit is valid, that each of the claims in the patent has been infringed by the defendants; that WSI has misused the patent; and that the term "windsurfer" is a "common descriptive name".

I. Validity

A. *The Claimed Invention*

The field of art that includes the claimed invention is stated in the patent to be "the field of ships, particularly sailboats and iceboats, and the field of land vehicle sail attachments."[4] The patent claims a

> [w]ind-propelled apparatus in which a mast is universally mounted on a craft and supports a boom and sail. Specifically a pair of curved booms are arcuately connected athwart the mast and secure the sail therebetween, the position of the mast and sail being controllable by the user but being substantially free from pivotal restraint in the absence of such control.[5]

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3. Intervenor James Drake also filed a cross-complaint against WSI for, *inter alia*, fraud. That action is *sub judice*.

4. PX 1, Col. 1; DX 239, Col. 1. WSI's exhibits will be referred to as "PX —"; BIC's and AMF's will be referred to jointly as "DX —."

5. PX 1, "Abstract; DX 239, "Abstract".

By moving the hand-held rigging in various directions through the universal joint (which, in turn moves the center of effort ("CE") on the sail relative to the Center of Resistence ("CR") on the hull)[6] the craft may be steered without the use of a rudder.

Claims 15[7] and 20[8] are representative. Claim 15 reads as follows:

> Wind-propelled apparatus comprising body means adapted to support a user and wind-propulsion means pivotally associated with said body means and adapted to receive wind for motive power for said apparatus, said propulsion means comprising a mast, a joint for mounting said mast on said body means, a sail and means for extending said sail laterally from said mast comprising two opopsed booms secured to said mast for guiding said sail therebetween and adapted to provide a hand-hold for said user on either side of said sail while sailing, the position of said propulsion means being controllable by said user, said propulsion means being substantially free from pivotal restraint in the absence of said user, said joint having a plurality of axes of rotation whereby said sail free falls along any of a plurality of vertical planes upon release by said user.

Claim 20 reads:

> Wind-propelled apparatus comprising:
>
> body means adapted to support a user;

6. The CE is the imaginary point on the sail where a single force acting through it would have the same effect as all of the forces acting on the sail and the CR is the corresponding imaginary point on the hull where all of the hull forces may be deemed to be acting. *See* Tr. 40-41, 517-18.

7. DX 239.

8. *Id.*

wind-propulsion means pivotally associated with said body means and adapted to receive wind for motive power for said apparatus, said propulsion means comprising a mast, a joint for mounting said mast on said body means, a sail extending in one direction only laterally from said mast, and means for extending said sail laterally from said mast comprising two opposed booms secured to said mast for guiding said sail therebetween and adapted to provide a hand-hold for said user on either side of said sail while sailing, the position of said propulsion means being controllable by said user;

said propulsion means being substantially free from pivotal restraint in the absence of said user;

said joint having a plurality of axes of rotation whereby said sail free falls along any of a plurality of vertical planes upon release by said user;

said body means comprising a sailingboard adapted to support the user on water and in a standing position on either side of said sail while sailing;

said sail having a foot thereof extending from a first corner of said sail, at which said sail is secured to said booms, obliquely downwardly with respect to said booms toward said mast and toward a second corner of said sail which is positioned along said mast;

said booms being secured to said mast above said second corner of said sail.

The '167 patent is a reissue patent based on United States Patent No. 3,487,800 ("the '800 patent") and contains seven claims.[9]

As demonstrated by the representative claims, all of the claims of the '167 patent require the use of both the wishbone rigging and the universal joint. The sole issue raised

9. *Id.*

by BIC and AMF with respect to the validity of the patent is whether the combination of these two elements would have been obvious in 1967.[10] *See* 35 U.S.C. § 103 (1982).[11]

Whether the integration of the hand-held wishbone rigging with the vehicle swivel mast attachment is obvious as a matter of law depends upon several factual determinations: "(1) the scope and content of the prior art, (2) the differences between the prior art and the claimed invention, (3) the level of ordinary skill in the pertinent art, and (4) additional evidence, which may serve as indicia of non-obviousness." *Environmental Designs* v. *Union Oil Co.*, 713 F.2d 693, 695 (Fed. Cir. 1983), *cert. denied*, —— U.S. ——, 104 S. Ct. 708 (1984) (Markey, C.J.); *accord Graham* v. *John Deere Co.*, 383 U.S. 1, 17-18 (1966); 35 U.S.C. § 103 (1982).

B. *The Prior Art*

The parties agree that the art in this case, as stated by plaintiff's expert, Dr. Samuel Bradfield[12] is the design

10. Obviousness is determined as of the time of the invention. The parties do not dispute that here, the relevant time period is 1966-67. However, since the launching party held in August or September 1967 was the first time a universal joint was utilized in the craft and that date has been pointed to as the date the craft was both conceived and reduced to practice we refer to 1967 as the "time of the invention." *See* Tr. 1010; DX 42, ¶¶ 9-17.

11. 35 U.S.C. § 103 provides:

> A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patent-ability shall not be negatived by the manner in which the invention was made.

12. Dr. Bradfield testified as an expert in "aerodynamics as applied to airfoils such as sailships and wings; [and] [s]econdly, in the design of sailboats." Tr. 32. He holds a Ph.D in Mechanical Engineering from the University of Minnesota. Dr. Bradfield received

(footnote continued on next page)

and construction of sailboards, surfboards and iceboats.[13] Further, with one exception, discussed below, there is no dispute as to which items of prior art are "reasonably pertinent to the particular problem with which the inventor was involved", *Stratoflex, Inc.* v. *Aeroquip Corp.*, 713 F.2d 1530, 1535 (Fed. Cir. 1983), i.e., within the scope and content of the prior art. The many items of prior art in this case are demonstrated in numerous technical articles, other United States patents, motion picture videos, still photographs, diagrams, drawings and a model of the sailboard of Kenneth Darby. However, the most significant items of prior art are (1) the article in the August 1965 issue of Popular Science magazine entitled "Sailboarding: Exciting New Sport" written by Newman Darby;[14] (2) the W.F. Crosby article printed in the August 1935 edition of Rudder Magazine entitled "The Wishbone Rig On Small Boats;"[15] (3) an article contained in a catalog published by the Herreshoff Manufacturing Company of Bristol, Rhode Island in the late 1930's entitled "The New 'Wishboom' Rig And Sail Plan"[16] and (4) "Yacht Sail Research," a paper presented by Halsey Herreshoff at the November 1966 symposium conducted by the Massachusetts Institute of Technology.[17] United States Patent

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a Bachelor of Science degree in Mechanical Engineering from Purdue University in 1941; a Master of Science degree in Aeronautics from the California Institute of Technology in 1943; and a degree of Professional Aeronautical Engineer from the University of Michigan in 1953. Currently he is a Professor of Mechanical Engineering at the University of Southern Florida, as well as president of his own company, Hydrosail, Inc., a company which is chartered to consult, design, fabricate, sail and participate in activities surrounding creation of hydrofoil systems, including the design of sails and rigging for sails. *See* generally Tr. 14-32.

13. *See* Tr. 1038.
14. DX 71.
15. DX 108.
16. DX 105, p. 25.
17. DX 232.

No. 3,057,316 owned by J.H.R. Hansen[18] and United States Patent No. 3,349,741 owned by R.R. Herbst,[19] disclosing dinghy-like sailboats, are also noteworthy although they are pertinent to a lesser degree.

BIC and AMF also assert that a "free-sail" sailboard created by Hugh Perrin constitutes pertinent prior art. In response, WSI contends that Perrin's work is not "prior" within the meaning of 35 U.S.C. § 102(g) (1982). Before analyzing the differences between the prior art and the claimed invention we consider whether the Perrin sailboard constitutes "prior" material under the statute. We conclude it does not.

Section 102(g) states:

> In determining priority of invention there shall be considered not only the respective dates of conception and reduction to practice of the invention, but also the reasonable diligence of one who was first to conceive and last to reduce to practice, from a time prior to conception by the other.

The disputed reference is disclosed in drawings and notes made by Perrin dated February 4, 1967.[20] Perrin's work was constructively reduced to practice when he filed a patent application on May 15, 1968.[21] When these dates are matched with August (or September) 1967, the approximate date of Drake and Schweitzer's "launching party" and which we find is also the date when the patented craft was both conceived and reduced to practice,[22] it is evident that Perrin was the first to conceive of the subject matter of his "invention" but the last to reduce

18. DX 101.

19. DX 102.

20. DX 47; DX 48.

21. *See* DX 46.

22. *See* n.10, *supra*.

it to practice. Under these circumstances, Perrin's work would be "prior" within the meaning of the statute, and therefore it would be available as prior art in making the obviousness determination, *see Kimberly-Clark* v. *Johnson & Johnson*, 745 F.2d 1437, 1444-46 (Fed. Cir. 1984), only if Perrin was reasonably diligent in furthering his invention during the period immediately before Drake/Schweitzer's conception and ending with his own reduction to practice, here between August 1967 and May 15, 1968. *See Gould* v. *Schawlow*, 363 F.2d 908, 918 (C.C.P.A. 1966).

The evidence establishes that Perrin received a draft of a proposed patent application from his attorney which Perrin sent back with revisions on August 10, 1967.[23] Upon receipt the application was mistakenly misfiled in the attorney's office. On March 1, 1968 Perrin's attorney notified Perrin of the accidental misfiling.[24] Perrin responded by letter of March 24, 1968[25] stating "This reply, also, is a bit late. Don't be concerned about *your* delay. Believe me I have been very content to let the "Kite" board lie dormant. It has taken this long to revive it in my own mind." (Emphasis in original)

The party seeking to establish that a particular item fulfills the priority requirements of Section 102(g) has the burden of proving the existence of "that continuity of activity which constitutes reasonable diligence." *Gould* v. *Schawlow*, 363 F.2d at 918; *Naber* v. *Cricchi*, 567 F.2d 382, 385 (C.C.P.A. 1977), *cert. denied*, 439 U.S. 826 (1978). For the reasons set forth below we conclude that BIC and AMF have not met that burden as to the Perrin sailboard.

The March 24th letter from Perrin to his attorney constitutes an admission against BIC and AMF (who stand in Perrin's position for the purposes of establishing dili-

23. *See* DX 58.

24. *Id.*

25. DX 59.

gence) that between August 1967 and the end of March 1968 Perrin engaged in no activity related to actually reducing his "invention" to practice. Nor did Perrin take any steps toward *constructive* reduction to practice (i.e., filing his patent application) during the relevant period. The letter clearly indicates that during this period Perrin made no attempts to contact his lawyer to ensure that progress was being made toward filing his patent application. BIC and AMF have offered no proof to the contrary. Although Perrin was not responsible for the misfiling of the application we nonetheless conclude that allowing seven months to pass without any action to check on the status of the application does not demonstrate reasonable diligence. Accordingly, we hold that Perrin's work is not pior art as defined by 35 U.S.C. § 102(g).

C. *Differences Between The Prior Art And The Claimed Invention*

The Darby article[26] discloses a sailboard with a *kite shaped sail,*[27] a stabilizing daggerboard, a sail-rigging attached to the vehicle by a universal joint and a hand-hold consisting of a *single boom on one side of the sail* placed at a convenient height for the user. The reference discloses that moving the sail shifts the CE on the sail relative to the CR on the hull which allows steering the vessel without the use of a rudder. The article further discloses that to operate successfully there can be no external "vanging"[28] lines to interfere with the free movement of the rigging. (A vang is a line which usually runs from the "clew" of the sail, i.e., the corner of the sail where the lower part of

26. DX 71.

27. A useful glossary of sailing terms (DX 233) provided by Halsey Herreshoff, one of the defendants' expert witnesses, is attached hereto as Appendix A ("Appx. A").

28. *See* Appx. A, (defining "boom vang").

the sail and the edge away from the mast meet, to the deck to keep the boom from rising.) The Darby board is "self-vanging", i.e., self-contained, because the portion of the sail beneath the boom functions automatically as a vang.

The Crosby article[29] discloses a small dinghy-like sailboat with a stabilizing means such as a daggerboard, a rotatable mast and a high boom[30] type of *Bermuda sail*[31] extending laterally from the mast by *wishhbone booms.*[32] The portion of the sail below the booms function as an automatic vang. Crosby teaches that the self-vanging feature (which allows the sail to take on a proper airfoil shape) combined with the curved shape of the booms (which permit the sail to billow in either direction unrestricted by the booms) are largely responsible for the increased efficiency and speed associated with this type of rigging. The reference further teaches that this self-vanging characteristic would disappear if the booms were placed at the bottom rather than the middle of the sail.

The Herreshoff "Amphicraft" featured in the Herreshoff article,[33] similar to the Crosby boat, discloses a small dinghy-like sailboat with a rotatable mast and a high boom tape of *Bermuda sail* extended laterally from the mast by *wishbone booms.* A ball-shaped attachment at the end of the mast rotates in a ball-shaped socket in the bottom of the boat. The reference teaches that a further feature of the self-vanging wishbone rigging is that the tension in the sail area below the booms prevents the clew end of the booms from rising. The Crosby vehicle and the Herreshoff Amphicraft each contain all of the elements of the claimed invention with the exception of the universal joint.

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29. DX 108.

30. *See* Appx. A. (depicting *inter alia,* Bermuda sail.)

31. *Id.*

32. *Id.*

33. DX 105, p. 27.

The Herreshoff symposium paper[34] discloses three types of boom arrangements generally available in 1966 for consideration in selecting rigging for various design situations. One of the "Sailing Rig Choices" disclosed in the paper is the wishbone rigging.

Both the Hansen and Herbst references merely disclose sailboard-like hulls with conventional stayed masts and riggings.[35]

D. *Level of Ordinary Skill in the Art*

35 U.S.C § 103 establishes the test for determining obviousness as follows:

> A patent may not be obtained . . . If the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains . . . .

In evaluating obviousness

> [i]t is difficult but necessary that the decisionmaker forget what he or she has been taught at trial about the claimed invention and cast the mind back to the time the invention was made . . . to occupy the mind of one skilled in the art who is presented only with the references, and who is normally guided by the then-accepted wisdom in the art.

W.L. Gore & Associates, Inc. v. *Garlock, Inc.*, 721 F.2d 1540, 1553 (Fed. Cir. 1983), *cert denied*, —— U.S. ——, 105 S. Ct. 172 (1984). Before determining whether it was obvious to one skilled in the art of designing and/or constructing sailboats in 1967 to combine a universal joint and a Bermuda sail with a hand-held wishbone rigging one must determine the "composite" of the hypothetical per-

34. DX 232.

35. DX 101; DX 102.

son of ordinary skill. *See, e.g, Stratoflex, Inc.* v. *Aeroquip Corp.*, 713 F.2d at 1538.

The level of ordinary skill in the art may be determined by considering all, or some of the following factors: "(1) the educational level of the inventor; (2) type of problems encountered in the art; (3) prior art solutions to those problems; (4) rapidity with which innovations are made; (5) sophistication of the technology; and (6) educational level of active workers in the field." *Environmental Designs* v. *Union Oil Co.*, 713 F.2d at 696.

The only testimony as to the "profile" of a person of ordinary skill in the art in 1966-67 was provided by Dr. Bradfield, the plaintiff's expert. Bradfield testified that the relevant "art," i.e., "field of technology" was the design and construction of sailboats, surfboards and iceboats.[36] He stated that, in contrast to fields such as computer technology, aeronautical engineering or electronics, the design and construction of sailboats was not an art in which innovations were rapidly made.[37] Bradfield described the sophistication of the art as relatively low, defining it as more of a "craft" or "guild."[38] He testified that the educational level of those who work in the art encompassed a broad spectrum.[39] Although it was his opinion that a technical degree or formal training in sailboat design was unnecessary,[40] he nonetheless concluded that a person with a lifelong interest in sailing but no formal education in design and only two or three years of background in designing sailboats was of less than ordinary skill. To attain ordinary skill such a person, Bradfield stated, would need more background and training

36. Tr. 1038.

37. Tr. 1040.

38. Tr. 1042-43.

39. Tr. 1043.

40. Tr. 1044-45.

"either in practical experience and-on-the job training, or in study and practice as sort of an internship."[41]

On the undisputed testimony of Dr. Bradfield, *see Kalman* v. *Kimberly-Clark Corp.*, 713 F.2d 760, 772-73 (Fed. Cir. 1983), *cert. denied*, —— U.S. ——, 104 S. Ct. 1284 (1984) ("the usual way of determining [the level of ordinary skill in the art] is by referring to the subjective reaction of a person thoroughly familiar with the particular art and, if possible, one who practiced the art at the crucial time in question"), we find that the hypothetical person of ordinary skill in the art of sailboat design in 1967 had either a combination of several years sailing experience and several years of practical experience designing and/or constructing sailboats or, alternatively, he possessed a college degree in design or engineering as well as a general knowledge of sailing. Newman Darby, an individual with no formal training in sailboat design but who had a "lifelong" interest in sailboats and had, by 1967 built several such crafts,[42] is an example of a person in the first category.

One of ordinary skill is considered to have acquired the general knowledge shared by persons with the same level of skill in the art. *See, e.g, Kurt H. Volk, Inc.* v. *Foundation for Christian Living*, 534 F. Supp. 1059, 1068 (S.D.N.Y. 1982). Any probative evidence may be relied upon to establish the scope of general knowledge, even if the proof does not qualify as "prior art". *See Thomas & Betts Corporation* v. *Litton Systems, Inc.*, 720 F.2d 1572, 1580-81 (Fed. Cir. 1983); *Orthopedic Equipment Co., Inc.* v. *United States*, 702 F.2d 1005, 1011-12 (Fed. Cir. 1983). In this regard, Halsey Herreshoff, one of the defendants' experts testified that the state of the art was such that in 1967 it was well known that the Bermuda sail was the most efficient sail available[43] and it was common knowledge that

41. Tr. 1125-26.

42. *See* Tr. 217-21; 380-87.

43. Tr. 534-35.

the wind strikes both sides of a fore-and-aft sail such as the Bermuda.[44] He further testified that the normal method of sailing was for the operator to be positioned on the windward side of the sail (behind the sail facing in the direction of the wind) because the user is then able to use his body weight to counter the overturning moment of the rigging.[45] Herreshoff added that it was generally known that a vessel could be modified by changing the rigging:

> [Herreshoff]: In fact, it is our practice many times and has been, I think, for other naval architects, to sometimes take a boat that we've used and decide: Well, the rig is not perhaps the one that we would like and we discard that rig and put on a different one . . . .
>
> (The Court): And it was in 1966?
>
> [Herreshoff]: And it was in 1966, and I would say for a long time before. It is part of a naval architect's job to do such things.[46]

It is true that Herreshoff, a member of a family that was well known among sailing enthusiasts for their involvement with the sport, and who, by 1966 had received a degree in Naval Architecture from Webb Institute, had been an instructor in the Department of Naval Architecture at MIT for three years and who had already designed and built one sailboat,[47] is and was too qualified in 1966 to be considered of ordinary skill. Nonetheless his testimony was credible and relevant as to knowledge possessed by the average sailor. *Cf. In Re Farrenkopf,* 713 F.2d 714, 720 (Fed. Cir. 1983) (Expert opinion evidence regarding the state of the art admissible as evidence of the level of knowledge in the art). Moreover, many of the

44. Tr. 527-33.

45. Tr. 691-92.

46. Tr. 688-89.

47. *See* generally Tr. 489-99; 680-86; 717-19.

conclusions reached by Herreshoff were supported by WSI's own expert. For example, Dr Bradfield testified:

> Q. Wouldn't you agree with me that in, certainly as of 1966, that the Bermuda sail was by far the most popular sail?
>
> A. Yes.
>
> Q. Wasn't it the most popular sail because it was well-known to be the most efficient sail?
>
> A. If we are talking in the context of sailing yachts, then one would say that that's the case.
>
> When one thinks of a stayed mast and a conventional rig on a sailing yacht, then the Bermuda sail by that time was certainly chosen because it was the most efficient. It was proved so in the racing of yachts of that type.
>
> Q. By sailing by yachts, you would also include boats such as the Crosby boat, the Herreshoff boat, dinghies?
>
> A. I would include them in that general classification.
>
> Q. So sailing yacht virtually meaning any sailboat is what you're talking about?
>
> A. Yes.
>
> Q. Wasn't the kite sail of Darby a rather odd creature in 1966?
>
> A. Well, you know, it was known for many decades prior among New Englanders because of its use as a sail for ice skating with, but so far—
>
> The Court: You mean the kite sail?
>
> A. Yes, the kite sail, but so far as its use on sailboats is concerned, it was certainly an oddball, yes.[48]

Finally, an important portion of Herreshoff's testimony was corroborated by Newman Darby, whom we have found

48. Tr. 1169-70.

to have been a person of ordinary skill. In 1966 Darby corroborated, in writing, a letter to an attorney so that the lawyer could explore the patentability of the "Darby-board." Among other things the letter stated: "The sail may take on other configurations than the kite or triangular configuration, such as the Marconi-rig",[49] thus supporting Herreshoff's claim that one of ordinary skill knew that riggings could be substituted for one another.

In sum, we find that the person of ordinary skill in the art of sailboat design and construction would have known that a kite sail was not a type of sail ordinarily found on sailboats; that the Bermuda sail was one of the most popular and efficient sails used on yachts and small boats; that the wind strikes both sides of a Burmuda sail; that the most widespread method of sailing was to stand on the windward side of the sail and that it was a normal practice in the art to substitute one type of rigging for another.

E. *The Presumption of Validity and the Reissue Prosecution of the '167 Patent*

Under 35 U.S.C. § 282 (1982)[50] a patent is presumed valid and must stand unless the defendants demonstrate invalidity by clear and convincing proof. *American Hoist & Derrick Co.* v. *Sowa & Sons*, 725 F.2d 1350, 1360 (Fed.

49. DX 82. The letter was actually written by Newman Darby's brother Kenneth but reflects what Newman told Kenneth about the invention. Tr. 433-34; 441.

50. 35 U.S.C. § 282 (1982) provides in pertinent part:

> A patent shall be presumed valid. Each claim of a patent (whether in independent, dependent, or multiple dependent form) shall be presumed valid independently of the validity of other claims; dependent or multiple dependent claims shall be presumed valid even though dependent upon an invalid claim. The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity. . . .

The statutory presumption is, of course, a rebutatable one. *See, e.g., Chore-Time Equipment, Inc.* v. *Cumberland Corp.*, 713 F.2d 774, 780 (Fed. Cir. 1983).

Cir. 1984); *Lindemann Maschinenfabrik* v. *American Hoist & Derrick Co.*, 730 F.2d 1452, 1459 (Fed. Cir. 1984). In making a determination as to the validity of the patent "[d]eference is due the Patent and Trademark Office decision to issue the patent with respect to evidence bearing on validity which it considered but no such deference is due with respect to evidence it did not consider." *Id.* at 1360.

In this case, the reissue prosecution of the '167 patent was a fiercely contested adversarial proceeding involving massive evidnce of prior art and extensive briefing and re-briefing of the issues.[51] The original '800 patent containing 14 claims was issued on January 6, 1970.[52] In October 1976 Schweitzer and WSI learned of the Darby article through WSI's German counsel who was then involved in the prosecution of a German application relating to the '800 patent.[53] On May 30, 1978 WSI filed an application for reissue.[54] Thereafter Sailrider, Inc., a competitor of WSI, filed a protest pursuant to 37 C.F.R. § 1.291.[55] Sailrider was later joined in protest by Kransco Manufacturing, Inc.,[56] a second competitor who, along with Sailrider, actively opposed the reissue throughout the prosecution.

When originally filed the reissue application contained only the 14 claims of the original patent.[57] All 14 claims were rejected over the Darby article by the PTO examiner in the First Office Action of January 30, 1979.[58] WSI then

51. *See, e.g.*, PX 10, Vols. A, B, C containing papers reresenting a condensed version of the reissue file.

52. PX 10A, Tab. 1, p. 8.

53. DX 22; DX 23.

54. PX 10A, Tab. 1.

55. PX 10A, Tab 6.

56. *See* PX 10B, Tabs 43, 45.

57. DX 239. (In brackets)

58. PX 10A, Tab 18.

cancelled claims 2-5 and 14 and added new claims 15-25. On July 20, 1979 the examiner again rejected all of the pending claims in the Second Office Action.[59] In addition to rejecting many of the claims as anticipated under 35 U.S.C. § 102 by Darby's work, certain claims which recited the use of the wishbone rigging in combination with the universal joint were rejected as obvious under Section 103 since, in the examiner's opinion, it would have been obvious to provide the Darby kite sail with a pair of opposed booms.[60] Following the Second Office Action WSI cancelled claims 18, 21 and 22, and added new claims 26-31. In a Third Office Action on February 29, 1980 all the claims were rejected by the examiner for substantially the reasons set forth in the previous two Office Actions.[61] Thereafter, WSI cancelled several additional claims and appealed the rejection of claims 10-13, 15-17, 19, 20 and 23-31 to the PTO Board of Appeals.[62]

On April 30, 1981 the Board of Appeals reversed the examiner as to claims 11, 13, 15-17, 19, 20, 23, 24, 30 and 31 stating:

> It is our opinion that it would not have been obvious to provide the kite sail of Darby with opposed booms secured to the mast bow in view of any of the applied prior art. Such a structure is not needed in the Darby device and it would have been following the Appellants' disclosure to apply such a rigging to the sail support structure of Darby. There must be a reason apparent, at the time the invention was made, to the person of ordinary skill in the art for applying the teachings at hand or the use of the teachings as evidence of obviousness will entail prohibited hindsight.

59. *See* PX 10A, Tab 29.

60. *Id.*

61. PX 10B, Tab 59.

62. *See* DX 164.

The Board concluded:

> The hand-held wishbone rigging combined with the vehicle swivel mast attachment produces, in our opinion, a unique sailing apparatus which functions with the user in a manner that is completely unrecognized in any of the art before us[,][63]

and returned jurisdiction of the reissue application to the examiner for action not inconsistent with the Board's decision.

On remand, however, the examiner re-opened the reissue prosecution on the basis of newly discovered prior art, including the Crosby article and the Hansen and Herbst patents.[64] After reconsidering the claims allowed by the Board of Appeals in view of the new references the examiner rejected and "finally rejected" (in two separate Office Actions)[65] claims 11, 13, 23, and 31. Notably, in addition to rejection on anticipation grounds, claim 23 was also rejected as obvious under Section 103 because in the examiner's opinion it would have been obvious to substitute a wishbone rigging for the rigging contained in the Hansen and Herbst references.[66] After the Second Office Action on remand (mailed August 13, 1981) WSI again appealed.

On February 9, 1982 the Board of Appeals affirmed the examiner's rejection of the claims.[67] As to the obviousness of claim 23 the Board agreed

> that it would have been obvious to apply the wishbone rigging of Crosby to the relatively flat sailing vehicles of either one of [the] Hansen or Herbst patents. The reference combination merely requires a substitution

63. *Id.* at 10.

64. PX 10C, Tab 110.

65. *Id.*; PX 10C, Tab 116.

66. PX 10C, Tab 110, ¶ 10.

67. PX 10C, Tab 132.

of one conventional rigging for another which we consider to be well within the skill of the art.[68]

WSI subsequently appealed the rejection of claims 11, 13, 23 and 31 to the United States Court of Customs and Patent Appeals ("CCPA") primarily on the question of "what meaning should be given to the word pivot?" The CCPA rendered a decision on July 1, 1982 affirming the Board's affirmance of the examiner's rejection of the disputed claims.[69]

The end result of the prosecution (of which the above summary provides only tht barest of synopses of the proceedings documented in the hundreds of exhibits contained in the file wrapper) was the '167 reissue patent containing claims 15-17, 19, 20, 24 and 30 which appear in the patent as claims 15-20 respectively.[70]

Notwithstanding the vigorously contested reissue proceeds defendants argue that in this case the decision to issue the patent should be discounted because the defendants have presented to this court various items of prior art, particularly the Herreshoff article and symposium paper, which were not before the Patent and Trademark Office ("PTO"). They also argue that deference should not be given to the Board's decision because the PTO overlooked the dispositive issue here, namely, whether it would have been obvious to substitute a Bermuda sail with wishbone rigging for the Darby Kite sail rigging. They maintain that the Board of Appeals' rejection of the obviousness argument solely on the ground that it would not have been obvious to add a second boom to Darby's kite sail does not address the core issue: whether it would have been obvious to change the *entire* Darby rigging.

This argument is unpersuasive. Although the article disclosing the Herreshoff Amphicraft was not before the

68. *Id.* at p. 8.

69. *See* DX 171.

70. DX 239; PX 1.

PTO, the defendants' own expert testified that the reference discloses little more than the Crosby boat,[71] which was before the PTO examiner on remand and before the Board during WSI's second appeal. As for the Herreshoff symposium paper demonstrating that the wishbone rigging was recognized as one of the building blocks that could be relied upon in sailboard design, the teaching of the reference was implicit in the prior art references before the PTO which disclose the wishbone rigging, e.g., the Crosby article.[72]

Our designation of the Herreshoff references as particularly pertinent to the obviousness question is not made because the art discloses new information not contained in the voluminous record before the Board, but rather because the article collects in one place some of the teachings otherwise scattered throughout the innumerable documents in evidence. Neither the Herreshoff references nor any of the evidence produced at trial that was not before the PTO is the type of evidence that "so clearly invalidate[s] a patent that the burden is fully sustained merely by proving its existence. . . ." *American Hoist & Derrick Co.* v. *Sowa & Sons*, 725 F.2d at 1359-60.

Nor are we persuaded that the PTO failed to consider the issue of rig substitution. The defendants' argument oversimplifies the depth of the Board's review and assumes the Board ignored the other issues raised in the parties' extentive briefs.[73] Moreover, despite its finding in the second appeal that it was within the skill of one with ordinary skill in the art to substitute one *conventional* rig for another, the Board nevertheless reaffirmed its original holding that combination of "[t]he hand-held wishbone rigging with the vehicle swivel mast attachment produces . . . a unique sailing apparatus. . . ."[74]

71. Tr. 560; Tr. 716-17.

72. DX 108.

73. The protestors alone filed 12 briefs during the reissue prosecution. *See generally* PX 10, Vols. A, B, and C.

74. PX 10C, Tab 132, p. 8.

F. *Obviousness*

We turn now to the critical question whether it would have ben obvious to one of ordinary skill with the pertinent prior art before him to replace the Darby kitesail with a Bermuda sail with wishbone rigging. The defendants assert that a person with ordinary skill would have known that the kite sail was not as efficient as the Bermuda sail and therefore the Bermuda sail substitution would have been an obvious improvement of the Darby board. They further maintain that once this "obvious" step was taken, it would have been apparent that a second (handhold) boom was needed on the opposite side of the sail since it was well known that the wind strikes both sides of fore and aft sails such as the Bermuda.

WSI asserts that none of the prior art references suggests the invention as a whole. They argue, moreover, that the objective indicia of non-obviousness in this case alone are sufficient to establish validity. WSI claims that the overwhelming commercial success of the invention, the recognition of the patent by WSI licensees, the defendants' infringement of the sailboard, the fact that the sport has gained worldwide recognition and the unexpected results produced by the patented sailboard all establish the non-obviousness of the invention. The defendants respond that none of these claims are probative here of non-obviousness.

With regard to the obviousness of use of the Bermuda sail and wishbone rigging, WSI's expert, Dr. Bradfield, made the following concessions:

> The Court: The specific question is: If you wanted to improve the vessel, wouldn't it have been obvious to improve the rigging?
>
> The Witness: Yes.
>
> Q. And if your're going to improve the rigging, wouldn't the natural obvious selection have been a Bermuda sail?
>
> A. Depending on what you wanted to do with it.[75]

75. Tr. 1177.

Although the defendatns' experts Herreshoff and Kirkman corroborated the testimony of Dr. Bradfield,[76] Bradfield's statements carry particular weight since he has no reason to testify favorably for the defendants.

However, in spite of the concession Bradfield testified that the performance of the patented invention was superior to the performance of Darby's board. In particular he emphasized that the *combination* of the wishbone rigging with the universal joint produced a vehicle capable of being maneuvered in a manner which far surpassed the capabilities of Darby's invention. Referring to a film admitted as demonstrative evidence to show the operation of the WSI sailboard, Bradfield testified that the Darby board was incapable of a number of the maneuvers performed by the patented sailboard.[77]

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76. *See, e.g.,* Tr. 700; Tr. 772-77.

77. The following dialogue is illustrative of Bradfield's testimony on the patented sailboard's performance:

> Wurst: Would a Darby board with footstraps have done that?
>
> A. I don't think so. One of the challenges—this is like snowskiing in a way. There seems to be no end to the challenges that open up in this sport as a result of the combination of effects.
>
> Here people—you can see that—they're trying to do loops. They have been trying to do 360 degree loops like an airplane for the last four years.
>
> I am told in the last few months people have succeeded in actually doing that, in doing a loop and landing and sailing out of it, so that—
>
> The Court: Is this by the increase of their own skill, you mean?
>
> The Witness: That's correct.
>
> The Court: There hasn't been any change in the craft, has there?
>
> The Witness: Not—detail changes, yes, but not basic changes—
>
> The Court: All right.

(footnote continued on next page)

The defendants conducted lengthy cross-examination of Bradfield aimed at showing that the advantageous results which he suggested were produced by particular embodiments of the invention and not the result of the universal joint/wishbone rigging combination. While Bradfield

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The Witness: —are required to do that. As you can see there, it was a definite instance of momentary support aerodynamically as he came off the top of that wave.

Q. Doctor, the maneuverability as this illustrates as he threads his way through those people in the water, could a Darby board maneuver that quickly?
No.

The Court: Do you have any idea what speed they may be going at?

A. Judging from the spray that's being thrown in the movies, I would guess they're going between 15 and 20 miles an hour.

The Court: Right.
The Witness: I think the maneuverability of these boards is really terrific. It's amazing the agility which can be exhibited with them.

Tr. 1111-1113.

On cross-examination the following exchange occurred:

Q. Let me ask you this question, then, Mr. Bradfield: This teaches that you can use a single boom in Mr. Schweitzer's and Mr. Drake's free sail system.
If that boom is on the windward side, these advantages that we have been discussing will follow, right?
A. No, not—well, if you limit it to the advantages which we have been discussing, namely, aerodynamic lift, counter railing, and creature comfort, yes.

The Court: Do I understand, for example, maneuverability would not be as effective [sic]; is that correct?
The Witness: That is correct.

Q. Why would the maneuverability be better in the—strike that.
You also testified about the ability of the Windsurfer to go through waves whereas the Darby board couldn't do that, is that correct?
A. That's essentially what I said, yes.

(footnote continued on next page)

agreed that some of the benefits were attributable to, for instance, a specific hull shape, he firmly maintained that because of the absence of the wishbone rigging the Darby board could not be manipulated in the same manner as the patented invention.[78]

In *In re Sernaker*, 702 F.2d 989 (Fed. Cir. 1983), the Court of Appeals for the Federal Circuit, reviewing relevant CCPA decisions concluded that the following related tests are appropriate standards against which to make an obviousness determination:

> (a) whether a combination of the teachings of all or any of the references would have suggested (expressly or by implication) the possibility of achieving further improvement by combining such teachings along the line of the invention in suit, and (b) whether the claimed invention achieved more than a combination which any or all of the prior art references suggested, expressly or by reasonable implication.

Id. at 994. The obviousness issue was before the *Sernaker* court on a direct appeal from the PTO Board of Appeals' refusal to grant a patent. However, a recent spat of Federal Circuit decisions addressing the obviousness question indicate that the same considerations are appropriate when

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Q. What is the reason for that?

A. The reasons are at least twofold: the Darby board hull is not well-designed to make its way through waves. It's a flat board. It is used primarily for planing in flat water.

Secondly, it is very difficult to maneuver the Darby board with enough agility, so to speak, to permit the board to be readily maneuvered through waves in which—in the way in which he usually does that in a small boat.

Q. Do you think these advantages of the—I gather, then, from your answer, if you put the Schweitzer and Drake rigging onto the Darby board, that it wouldn't be able to go through the waves like that?

A. Well, certainly not as well as it would on a Schweitzer board.

Tr. 1154-55.

78. *Id.*

applied by a district court making a *de novo* determination. *See, e.g., ACS Hospital Systems, Inc.* v. *Montefiore Hospital*, 732 F.2d 1572, 1575 (Fed. Cir. 1984); *W.L. Gore & Associates, Inc.* v. *Garlock, Inc.*, 721 F.2d at 1551; *Environmental Designs, Ltd.* v. *Union Oil*, 713 F.2d at 698.

Applying the *Sernaker* formula we find that the teachings of the references do suggest possibilities for improving the invention which Darby put within the public domain. The Crosby article and the Herreshoff article and paper disclose the use and advantages of fore and aft sails such as the Bermuda sail. Moreover, the testimony of the three expert witnesses, including Dr. Bradfield in particular, confirm that the Bermuda sail was one of the most popular sails available. Accordingly, one skilled in the art who had available the prior art references would have been able to surmise that the replacement of the kite sail with a Bermuda sail was one method by which the Darby board could have been modified to be more efficient. Further, having learned from the Darby references that the freesail system is steered by manipulating a hand-held sail, and armed with the knowledge that the wind hits both sides of all fore and aft sails, we conclude that it would have been apparent to one skilled in the art that it was necessary or at least extremely useful to add a second opposed boom to operate as a handhold to maintain control of the sail. Accordingly, the first *Sernaker* test is satisfied. Nevertheless, the tests are stated in the conjunctive. Under the second test "prior art references in combination do not make an invention obvious unless something in the prior art references would suggest the advantage to be derived from combining their teachings." *In Re Sernaker*, 702 F.2d at 995-96.

The defendants did not offer testimony to dispute Dr. Bradfield's assessments of the performance capabilities made possible by the combination of the universal joint and wishbone rigging. Nor do we find anything in any of the teachings of the references which suggests that the

combination of the two elements would lead to the maneuverability which appears to be the hallmark of the patented invention.[79] Indeed, although Darby was aware that different types of riggings could be substituted for one another, and that one possible rigging available was a Marconi (Bermuda) sail, after experimentation he explicitly rejected the Bermuda sail in favor of the kite sail because the Bermuda sail "seemed to be off-balance" and it was difficult to manage.[80] After reviewing the prior art, and considering the trial testimony (while also viewing the demonstrations of the operating ability of the Darby board and the patented craft) we conclude that the combination of the hand-held wishbone rigging with the universal joint produced a vehicle that performs in a manner previously undisclosed by any of the prior art references before us and indeed, a vehicle with a performance potential that is even now not yet fully realized. Accordingly, we conclude that the patented invention resulted in *more* than a combination suggested by any of the prior art references.

Moreover, objective indicia, which must be considered before a final determination on obviousness is reached, *see, e.g., Stratoflex, Inc.* v. *Aeroquip Corporation*, 713 F.2d at 1538; *In Re Sernaker*, 702 F.2d at 996, provide further evidence of non-obviousness.

WSI argues that in this case, the objective indicia alone establish non-obviousness. It relies on proof which establishes that since 1969, in the United States alone WSI

79. The defendants' argument that the maneuverability of the board was due to the addition of footstraps is unpersuasive. It is true that the footstraps allow the user to stay on the board during more complicated maneuvers bu the footstraps only function to allow the user to take advantage of the craft's performance capabilities which derive from the combination of the rigging and the universal joint.

80. Tr. 327. The defendants' argument that Drake and Schweitzer thought it was obvious to use a Bermuda sail with wishbone rigging (as, according to the defendants, their statements indicate), does not address the critical issue here, namely, whether it would have been obvious to one of ordinary skill in the art, which neither Drake not Schweitzer was.

and its licensees have sold nearly 122,000 sailboards for a net sales income of $62,500,000; that in 1984 WSI sold 21,450 patented sailboards here and abroad, producing $9,500,000 in net income;[81] that 12 companies have taken licenses under the United States patent and in recent litigation in the District of Nevada two additional companies have accepted a permanent injunction recognizing the patent's validity;[82] that the sport was included in the 1984 Olympics as a Medal Event,[83] and finally, that the defendants copied the invention.

The defendants do not substantially dispute the rather remarkable success of the claimed invention.[84] They rely, rather, on evidence of WSI expenditures for advertising and promotional devices to argue that WSI's sale rose at a rate directly proportional to its advertising efforts and that the commercial success of the patented sailboard is due to the company's promotional efforts and is not indicative of non-obviousness.[85] They assert that the development of "rotational molding", a new process for making the sailboard hulls, was another factor contrbuting to the success of the invention.[86] Relying on correspondence between WSI and its German manufacturers, the defendants also argue that the fact that twelve companies, eleven of whom are German, have taken licenses is not probative, because the German manufacturers were forced to take licenses if they wished to sell sailboards in the United States without risking an infringement suit brought

81. PX 13.

82. PX 17.

83. Tr. 1257-58.

84. We do not find the evidence of commercial success to be significantly diminished in probatave value in light of the testimony of WSI's president that "10-15% of gross receipts are from paraphenalia" used in connection to the sport, e.g., clothing and other gear. *See* Tr. 1221-22.

85. *See* DX 248; DX 248A.

86. *See* DX 265H.

by WSI in Germany.[87] The defendants claim that the situation in the United States, where numerous companies are selling sailboards without first obtaining a WSI license, further undermines WSI's assertions of widespread recognition of the patented invention. Finally, the defendants argue that in this case, the fact of infringement has no probative value.

We agree that the correspondence involving the German maufacturers suggests a variety of motivational factors which may have lead to the German licenses and that therefore the probative worth of the licenses as evidence of the recognition of the invention's merit is diminished. However, we find the remaining proof of the widespread recognition and use of the invention indicative of non-obviousness.[88] The high level of the public's acceptance of the sport provides significant evidence of the merits of the invention which go well beyond the effect of the com-

87. DX 188; DX 191; DX 192; DX 193.

88. The defendants assert that evidence of commercial success is only probative as to non-obviousness when there is a nexus between the success and the merits of the claimed invention. They further assert that in this case no such nexus exists because the claimed invention did not fulfill a long felt need.

> A nexus is required between the merits of the claimed invention and the evidence offered, if that evidence is to be given substantial weight enroute to conclusion on the obviousness issue. *Stratoflex, Inc.* v. *Aeroquip Corp.*, 713 F.2d at 1539; *accord Simmons Fastener Corp.* v. *Illinois Tool Works, Inc.*, 739 F.2d 1573, 1575 (Fed. Cir. 1984). Recent Federal Circuit decisions discuss separately the questions of whether there is a nexus between the claimed invention and commercial success, and whether the invention met an unfulfilled industry need. *See, e.g., Stratoflex, Inc.* v. *Aeroquip Corp., supra; Shelcore Inc.* v. *Durham Industries, Inc.*, 745 F.2d 621, 627 (Fed. Cir. 1984). Under these decisions, as we interpret them, while the required nexus *may* be established by evidence of an unfulfilled need, the two are not necessarily synonomous. Moreover, acceptance of the defendants' interpretation of the law would lead to the anomolous result that the commercial success of a completely novel invention could never be probative evidence of non-obviousness since such an invention does not always solve an existing problem to which the public has been anxiously awaiting a solution.

pany's promotional efforts. While WSI's advertising campaigns undoubtedly have been responsible for bringing the invention to the public's attention, we find the overwhelming participation in the sport to be at least in part attributable to the previously undisclosed operational features of the sailboard, and that a nexus therefore exists between the commercial success and the merit of the invention. Finally, the fact that numeous manufacturers have undetaken to copy the patented invention, notwithstanding the obvious risk of an infingement suit, rather than to copy the Darby invention, which is clearly within the public domain and carries no such risk of suit, is further evidence of the merits of the invention and additional support for the proposition that the combination of the elements resulting in the patented board was non-obvious. *See, e.g., Jones* v. *Hardy,* 727 F.2d 1524, 1531 (Fed. Cir. 1984).

In sum, we conclude that in this case the objective indicia provide evidence of non-obviousness, *see W. L. Gore & Associates, Inc.* v. *Garlock, Inc.*, 721 F.2d at 1555 ("The objective evidence of non-obviousness . . . may in a given case be entitled to more weight or less, depending on its nature and its relationship to the merits of the invention."), and that they support the result reached under the *Sernaker* test, i.e., the combination of the universal joint with the wishbone rigging was not obvious and therefore, the patent was validly issued.

II. Infringement

WSI asserts that all of the sailboard models manufactured and sold by BIC, AMF and Downwind infringe on each of the seven claims in the '167 patent. The defendants' common defense to WSI's allegations of infringement is that their sailboards are not covered by the patent because (1) the rubber hourglass shaped universal joint used on their models is not the same as WSI's metal universal joint and (2) the booms on their models attach

to an intermediate apparatus rather than "directly" to the mast. The portions of the claims to which the arguments are addressed read: (1) "... joint having a plurality of axes of rotation" and (2) [two opposed booms] "secured to said mast . . .", respectively.[89]

All of the defendants stipulated that, for the purposes of determining infringement, the BIC "DUFOUR WING" sailboard would represent all models sold by BIC, AMF and Downwind during the relevant time period with the exception that one of the AMF sailboards, the "TIGA RACE" ("TIGA"), has no daggerboard.

The defendants called no witnesses on the issue of infringement. Using claims 15 and 20 as representative, Dr. Youngdahl, WSI's expert,[90] demonstrated that the various parts of the BIC DUFOUR WING was described by the language of the claims. Youngdahl testified unequivocally (and several times) that the BIC board revealed a "joint having a plurality of axes of rotation". For example, referring to patent claim 15 he testified:

> Wurst: And finally, said joint having a plurality of axes of rotation. Does the joint have a plurality of axes rotation?
>
> (Question read)
>
> A. It does. The universal joint will permit the boom to pivot with respect to the hull an infinite num-

89. *See* DX 239, Col. 6. Although the claims are of varying scope, the distinctions are irrelevant to the issues in this action.

90. Dr. Youngdahl testified for WSI as a witness expert in "mechanical structures in general; secondly, in the mechanical structures and functions of small boats; and thirdly, . . . [as] an expert witness in the application of patent claims to accused structures." Tr. 114. Dr. Youngdahl received a doctorial degree in Mechanical Engineering from the University of Michigan in 1961. As an employee of "Mechanical Handling Systems" he handled patent matters such as participating in the decision to pursue a patent, from mid 1953 to 1970. He has in the past performed design work on ships and has sailed sailboats himself for a number of years. *See generally* Tr. 107-14.

ber of axes, as the boom is lying down with respect to the hull in this configuration, there is an axis that would go through the approximate center of the hour-glass universal joint. There are mold marks, and it would go approximately through a line perpendicular to those mold marks.

If I were to raise the boom up and pivot the boom 90 degrees from the direction it is in now, it would pivot along a different axis in the universal joint and that would be approximately through the mold marks.

Q. And finally, referring to the joint, whereby said sail free-falls along any of a plurality of vertical planes and upon release of said user, does this board of Exhibit 11 operate in that fashion?

A. It does. If the user standing on the sailboard lets go of the booms, the mast will fall in whatever direction it happens to fall along any one of a plurality of planes, and a number of those planes would be infinite depending on the exact drop at any one moment.[91]

Later, referring to the language contained in claim 20 Youngdahl testified:

> Wurst: Okay. Does the joint have a plurality of axes of rotation and then the rest, in the context, 'whereby said sail free-falls along any of a plurality of vertical planes upon release'?
>
> A. It does. If the mast were erectd vertically, it could pivot along an infinite number of axes to free-fall in an infinite number of vertical planes, depending on the direction of release.
>
> Q. So if it was released to the front of the boat, it would pvit (sic) about one axis?
>
> A. That's correct.
>
> Q. If it was released to the side of the boat, it would pivot about another axis?

91. Tr. 125-26.

A. It would.

Q. You add all of these together, and you have a joint having a plurality of axes of rotation?

A. You have.[92]

Finally, he stated:

> The booms [of the BIC DUFOUR WING] are attached to the mast. There is an intermediate member that's been fabricated as a separate piece between the actual boom tube and the mast, but the booms are attached to the mast.[93]

* * *

We turn, then, to whether the defendants' sailboards literally infringe on the patent.[94] A party alleging infringement has the burden of proving it by a preponderance of the evidenc. *Envirotech Corp.* v. *Al George, Inc.*, 730 F.2d 753, 758 (Fed. Cir. 1984). The meaning of the patent claims must first be defined as a matter of law and then a determination may be made as to whether the claims cover (fairly and accurately describe) the accused device. "Claims are normally construed as they would be by those of ordinary skill in the art." *Fromsom* v. *Advance Offset Plate, Inc.*, 720 F.2d 1565, 1571 (Fed. Cir. 1983).

We read the claims of the patent in the same manner as Dr. Youngdahl, whose testimony we found convincing and down to earth. The defendants do not dispute this, indeed, the only argument for non-infringement that the defendants have mustered is that their sailboards do not infringe on the '167 patent because, unlike the metal joint in the patented boards the rubber hourglass-shaped device contained in their models does not have a plurality of rotating

92. Tr. 134-35.

93. Tr. 193.

94. The defendants' argument that WSI is estopped from relying on the doctrine of equivalents is not addressed since we find that the patent claims are literally infringed. *See Graver Tank & Mfg. Co., Inc.* v. *Linde Air Prods, Co.*, 339 U.S. 605, 607 (1950).

"mechanical" axes.[95] The short answer to this proposition is that "[i]nfringement is determined on the basis of the claims, not on the basis of a comparison with the patentee's commercial embodiment of the claimed invention." *ACS Hospital Systems, Inc.* v. *Montefiore Hosp.*, 732 F.2d at 1578. None of the seven patented claims contain the word "mechanical" in describing the joint which attaches the mast to the hull.

Dr. Youngdahl provided credible and persuasive evidence that, except for the AMF TIGA, all of the defendants' sailboards, as represented by the BIC DUFOUR WING, are covered by each of the seven patent claims. As to the TIGA, Youngdahl testified that it is covered by all claims other than claim 18 since claim 18 recites the use of a daggerboard which is absent from the TIGA model.[96] The defendants having offered no evidence to the contrary, we conclude that WSI has proven by a preponderance of the evidence that the TIGA infringes on claims 15-17 and 19-20 of the '167 patent and that the remaining sailboards infringe on these claims as well as on claim 18.

III. Misuse

BIC and AMF assert that notwithstanding the validity of the '167 patent, or the fact of its infringement, the patent should not be enforced because WSI has exceeded the lawful scope of its patent rights. They base this claim on the provisions of Paragraph 10 of the United States patent license agreement between WSI and each of its eleven licensees, which states:

95. Indeed, the defendants do not address the issue of whether the booms of their sailboards are attached "directly" to the mast in their post-trial briefs. Nor does AMF raise in its brief the issue of whether some of the languge of the claims is "incomprehensible." In any event, we find that the language referred to is quite clear and understandable, as Dr. Youngdahl's testimony indicates. *See* Tr. 146-49; PX 19, pp. 15-16.

96. AMF asserts that the TIGA model is not covered by claim 17. This proposition is without evidentiary support in the record.

10. TRADEMARKS

> LICENSEE hereby acknowledges that the terms "WINDSURFER", "WINDSURFING", and "WIND SURF" and the logo which is attached hereto as Exhibit 3 are all valid trademarks. LICENSEE hereby agrees not to use any of the trademarks identified in this paragraph 10 in any form or fashion in its company name or any of its literature or advertising or promotional material or on any products whatsoever.[97]

A patentee, as the beneficiary of a public policy "to promote the Progress of Science and useful Arts", does not have the right to use the special privilege of a patent monopoly to secure rights not granted by the patent and that are contrary to public policy. *Morton Salt Co.* v. *G.S. Suppiger Co.*, 314 U.S. 488, 491 (1942). *See also Robintech, Inc.* v. *Chemidus Wavin, Ltd.*, 197 U.S.P.Q. (BNA) 657, 658 (D.D.C. 1978); *Panther Pumps & Equipment Co.* v. *Hydrocraft, Inc.*, 468 F.2d 225, 231 (7th Cir. 1972), *cert. denied*, 411 U.S. 965 (1973). For relief to be granted it is unnecessary for the alleged misuse to have resulted in injury to the party asserting the defense. The doctrine of patent abuse is equitable in nature. Accordingly,

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97. *See* DX 131-DX 141. All of the agreements contain the identical provision except for DX 134, which contains a comparable provision without, however, mentioning the term "Wind Surf." The defendants also assert that a provision of WSI's dealership Agreement (DX 178) which states:

> 13. That Center will not attempt to "palm off", "switch", or sell sailboards of competitive manufacture to any person(s) making an inquiry to Center about Windsurfer brand sailboards and that if he does so, Company may immediately cancel this Agreement

is further evidence of an improperly derived economic benefit. They maintain that the effect of this clause prohibits a WSI dealer from selling another brand of sailboard to any customer who inquires about "windsurfers." We do not find the clause to do so on its face, nor evidence in the record sufficient to determine if the defendants' interpretation of the effect of this clause is correct.

> [i]t is the adverse effect upon the public interest of a successful infringement suit in conjunction with the patentee's course of conduct which disqualifies him to maintain the [infringement] suit, regardless of whether the particular defendant has suffered from the misuse of the patent.

Morton Salt Co. v. *The G.S. Suppiger Co.*, 314 U.S. at 494; *accord Robintech, Inc.* v. *Chemidus Wavin, Ltd.*, 197 U.S.P.Q. at 661.

Recent Supreme Court decisions demonstrate that the Court has "unequivocally condemned the use of a patent as a beachhead from which competition in unrelated lines of commerce may be assaulted. . . ." *Panther Pumps & Equipment Co.* v. *Hydrocraft, Inc.*, 468 F.2d at 231; *cf. Blonder-Tongue Laboratories, Inc.* v. *University Foundation*, 402 U.S. 313, 343 (1971) (discussing series of cases in which the Court has condemned attempts to broaden physical or temporal scope of patent monopoly); *Lear, Inc.* v. *Adkins*, 395 U.S. 653, 670-71 (1969) (licensee is not estopped to challenge the validity of a patent despite "no contest" clause in agreement).

The defendants argue that WSI has used and is using its patent to exact from its licensees an agreement that the terms "Windsurfer," "Windsurfing" and "Wind Surf" are valid trademarks notwithstanding WSI's knowledge that the public was and is using the terms generically. They assert that WSI is deriving an impermissible economic benefit by improperly barring others from using these terms on *any* products, including such items as clothing and apparel. WSI answers that it reasonably believed its trademark was good; that the inclusion of the clause in the licensing agreements does not rise to the level of misuse; and that at most, the clauses are unenforceable.

The resolution of this issue must begin with whether the terms in the disputed provisions of the contract are generic. For the reasons set forth in Point IV we conclude that they are. It follows that Paragraph 10 which,

as we read it, restrains anyone but WSI from producing any product utilizing the terms "Windsurfer," "Windsurfing" and "Wind Surf", would, if enforced, confer upon WSI an economic benefit outside the scope of the monopoly granted by the '167 patent. Indeed, the possibility of a very real economic benefit flowing from the provision is supported by the testimony of Charles Tillson, WSI's President and Chief Operating Officer as well as General Counsel, who stated at trial that up to 15% of WSI's revenues is derived from the sale of articles displaying the disputed terms.[98] Nor can it be seriously doubted that the rights under the '167 patent, which grant a monopoly over the production and sale of the patented vehicle, do not include the right to enforce a trademark, particularly if the mark has become generic. *See Morton Salt Co.* v. *Suppiger Co.*, 314 U.S. at 491.

In sum, we conclude that Paragraph 10 has an "intrinsic[ally] inhibiting effect on competition" beyond the scope of the patent and that the provisions are unenforceable. *Robintech, Inc.* v. *Chemidus Wavin, Ltd.*, 197 U.S. P.Q. (BNA) at 661; *cf. Lear Inc.* v. *Adkins*, 395 U.S. 653. The remedy that generally accompanies a finding of misuse is to preclude the patentee from invoking the aid of the courts to enforce his rights under the patent for as long as the patentee continues the misuse and/or until the effects of the misuse have been purged. *Morton Salt Co.* v. *G.S. Suppiger Co.*, 314 U.S. at 492; *accord Robintech, Inc.* v. *Chemidus Wavin, Ltd.*, 197 U.S.P.Q. at 658. However, the mere existence of the unenforceable clauses do not necessarily rise to such a level of misuse that the *patent* is unenforceable. *Panther Pumps & Equipment Co.* v. *Hydrocraft, Inc.*, 468 F.2d at 232. The degree of WSI's enforcement of the provision is appropriate to consider in determining the level of misuse. *See id.*

In the case at hand evidence of the extent to which WSI sought to enforce Paragraph 10 is spare. Tillson testified

98. Tr. 1222.

at a deposition that he did not know of any WSI licensees currently using the terms "Windsurfer" etc., in violation of the agreement but if at any time a licensee did so it would be told to cease.[99] He added that one licensee, Mistral, had used "Windsurfing" in the past but had agreed, upon notification of improper usage, to discontinue and to sign an agreement with the added provision that "Licensee hereby agrees to cooperate with licensor in using the terms 'boardsailing' and 'sailboard' as generics."[100] We find this record insufficient to determine fairly the extent to which WSI sought to enforce the provision and the extent of any monetary gain to it.

Nor do we accept the defendants arguments that WSI's behavior was eggregious because WSI knew that the terms had become generic. It is true that at least by 1974 WSI knew that its trademark was threatened by common usage (*See* DX 10—1974 letter from Hoyle Schweitzer to Martin Spanger). Nonetheless notwithstanding the fact that AMF has submitted evidence sufficient to prove that the terms had become generic, we do not conclude that the evidence was so strong that WSI necessarily would or should have known that its mark had become a common descriptive name for the product. Diane and Hoyle Schweitzer both testified, based upon evidence that usage of the terms by those within the trade had been replaced with the "boardsailing" terms, that they believed WSI's policing procedures had been successful in saving the trademark.[101] We do not find their evaluations unreasonable. Notably, each of the 11 agreements was signed between 1981 and 1983, that is, during the period in which WSI's policing activities were at their peak.[102]

Because the doctrine of misuse is equitable in nature, the court has discretion in evaluating the patentee's actions

99. DX 266A—Tillson Deposition at p. 93.

100. *Id.* at p. 94.

101. Tr. 1325, 2298.

102. *See* n.97, *supra.*

and fashioning an appropriate remedy. *Robintech, Inc.* v. *Chemidus Wavin, Ltd.*, 197 U.S.P.Q. (BNA) at 661. In the instant action the question of damages has been bifurcated for later determination. It is appropriate to defer until then the resolution as to what relief, if any, WSI's misuse of its patent privilege warrants.

IV. Trademark

AMF seeks the cancellation of United States trademark registration Numbers 962,616 and 1,195,641 and partial or complete cancellation of United States trademark registration numbers 1,180,024 and 997,974.[103] All of the registrations contain the term "WINDSURFER". AMF asserts that "windsurfer" is a common descriptive name, within the meaning of 15 U.S.C. § 1064 (1982), Trademark Act Section 14, for the patented craft and is also used to describe a person engaged in the sport and that the related term "windsurfing" is a generic word describing the sport.[103] WSI maintains that "sailboard" is the generic name for the craft and that the generic terms for the sport and sportsman are "boardsailing" and "boardsailor," respectively.

A. *Testimonial Evidence*

The term "windsurfing," from which "windsurfer" was later derived, was first used to refer to the new sport in 1968 by WSI's then Seattle, Washington dealer Bert Salisbury. In 1969, Diane Schweitzer, Hoyle Schweitzer's wife, wrote to Salisbury praising his creativity and thanking him for the "very descriptive term."[104]

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103. AMF argues that the term "windsurfing" should also be declared generic, although AMF has not specifically requested such relief in its pleading. We consider the term "windsurfing" to the extent we find it relative to our disposition of whether WSI's "WINDSURFER" trademark has become generic. Resolution of this issue is deferred pending further discussion in conference.

104. DX 1077; Tr. 2050, 2053.

According to the testimony of Hoyle Schweitzer, "WINDSURFER" was the name for a particular model of the craft manufactured by WSI and introduced in the United States in 1969.[105] Schweitzer testified that from 1969 to 1976 WSI was the only company selling sailboards in the United States and that of the approximately 4,000 crafts sold over 95% were the "WINDSURFER" model.[106] Schweitzer stated that during this time period the individuals associated with WSI sometimes referred to their product as a "sailboat" but that the term was a "difficult" one because it did not accurately describe the invention. He added that through 1976 the term "sailboard" was specifically avoided out of fear that the public would interpret the word as referring, for instance, to a "Sunfish" or "Sailfish," sailboat type; products popular at the time.[107] Schweitzer testified that between 1969 and 1976 WSI's approximately 250 dealers were not restricted in their use of the term "windsurfing" as part of their business name and that, notwithstanding WSI's *post* 1976 policy to discourage its dealers from using the term, even now there is no practical way to remedy the situation.[108] Finally, Schweitzer testified that he recalls many comments made as late as 1983 by persons associated with WSI that trademark usage was "horrible,"[109] that is that the term was being widely used in a generic sense.

Diane Schweitzer testified for WSI and also was called as an adverse witness by AMF. She testified that in the early years there was no "generic" word for the craft,[110]

105. Tr. 2267. Between 1969 and 1976 WSI manufactured three sailboard models: WINDSURFER, BAJA BOARD and STAR.

106. Tr. 2269, 2267.

107. Tr. 2270-71.

108. Tr. 2287.

109. Tr. 2210.

110. Tr. 2150.

that in 1969 she referred to individual sportsmen as "windsurfers" and used the term in this manner until sometime in the late 1970's when she was informed that use of the term in a generic sense risked loss of its protection.[111] At some point in 1977 policing of the trademark began in earnest and everyone associated with WSI was instructed to use the term "sailboard" as the generic term for the craft.[112] She admitted that the attempt to convert to the new term was definitely not successful in 1977,[113] but was successful thereafter.[114] Mrs. Schweitzer added that she called the sport "windsurfing" until 1981.[115] Since then, she has referred to the sport as "boardsailing".

Mrs. Schweitzer stated that beginning in 1977 WSI began policing the trademark by writing letters as well as by orally communicating to those who "misused" it. She read all of the sailboard trade publications and contacted the publisher if she discovered "improper" usage of the mark, a procedure she continues to date. She added that the 1984 Sailboard magazines that she has seen use the terms "boardsailing" and "sailboard" and do not otherwise misuse the mark.[116]

David Yost, a defense witness, was a WSI dealer in Sacramento, California from 1975-1978. He testified that while he was a dealer he knew of no terms other than "windsurfing" and "windsurfers" to describe the sport and sportsmen, respectively.[117] He added that he ran a "windsurfing school," where he would distribute T-shirts with "windsurfing" prominently printed on them and

111. *See, e.g.*, Tr. 2312-13.

112. Tr. 2118, 2120.

113. Tr. 2120-21.

114. *See, e.g.*, Tr. 2325.

115. Tr. 2142-43.

116. *See, e.g.*, Tr. 2323-25.

117. Tr. 1964.

bumper stickers acquired from WSI proclaiming "Windsurfers do it standing up."[118]

Another defense witness, Jeffrey Ely, currently is the co-owner of "Sunsport, Inc.", a boat dealership in Greenwich, Connecticut which offers for sale a variety of sailboard models. Before opening this establishment Ely worked for 18 months as a retail manager in a small private marine store in Darien, Connecticut, which also sold sailboards. Ely testified that 80%-90% of the customers who call "Sunsport" to inquire about sailboards ask if he carries "windsurfers."[119] Although he agreed that he could not state definitely whether, in making such a request, the customer was referring to a particular sailboard *generally* or a particular *brand,*[120] he stated that his experience has been that customers referring to a particular sailboard generally refer to a specific model, for instance the "TIGA" or the "F-2."[121]

Ely further testified that when he was formerly with the Darien, Connecticut marine store he arranged to have the business listed in the "Yellow Pages" as selling sailboards. Despite the fact that the store sold no "WINDSURFER" products, when the new listing subsequently was published Ely discovered the business under the heading "Windsurfers."[122]

B. *Documentary Evidence*

AMF introduced into evidence seven binders containing almost 400 assorted documents. Although the binders are indexed by category, e.g., "Newspaper Articles," "Correspondence and Memoranda," the significance of the

118. Tr. 1960-63.

119. Tr. 2038.

120. Tr. 2043-44.

121. Tr. 2046.

122. Tr. 2038-39.

documents is more readily apparent when they are organized chronologically.

1969—1976

WSI's advertisements and promotional literature from this time period refer to the new sport as "windsurfing" and use the term "windsurfer" for a person engaging in the sport.[123] None of the literature uses the terms "sailboard" or "boardsailing". For example, one of the early documents sent by WSI to interested individuals announced "Windsurfing—A NEW CONCEPT IN WATER SPORTS!" and explained that "the board used by the WINDSURFER is called a BAJA BOARD" (which was one of the first sailboard models manufactured by WSI).[124] A 1974 magazine article contained an inset illustration of a WSI sticker displaying the slogan "WINDSURFERS DO IT STANDING UP,"[125] and the public was encouraged to "brighten [their] winter weekends" AT WINDSURFING SCHOOL.[126] Dozens of letters written by WSI to prospective customers, advertisers and dealers thanked them for their interest in the sport of "windsurfing"[127] and WSI vice president Diane Schweitzer sought to allay a customer's fear of danger in the new sport by stating "all of my children are avid windsurfers (aged 9, 13 & 16)."[128] During this time Mrs. Schweitzer was editor of a newsletter, which later developed into Windsurfing News, a magazine published by the Windsurfing Association, an organization of persons who had purchased WSI products. The January 1, 1974 issue declared "Wedding Bells for

123. *See generally* DX 100—DX 1015.

124. DX 10001.

125. DX 1011.

126. DX 1012.

127. DX 1077—DX 1098.

128. DX 1093.

Windsurfers'' and, in a separate portion of the issue asked the question ''aren't you happy your windsurfer doesn't require petrol . . .''[129]

Magazine articles and newspapers written between 1969 and 1976 which were unassociated with WSI also reported the advent of the new sport of ''windsurfing.'' Most of the articles described a sportsman as a ''windsurfer.''[130] For example, it was explained in the June 30, 1970 issue of the Minneapolis Star that ''[t]he windsurfer stands on the surfboard and holds the sail in his hands,''[131] while the October 24, 1976 edition of the New Orleans Times-Picayune described how ''[t]he windsurfer stands on the unsinkable board . . .''[132]

In a letter dated August 5, 1974 Hoyle Schweitzer wrote to Martin Spanjer of Ten Cate (a Dutch WSI licensee): ''After discussions with our trademark & patent attorney it becomes evident that we are in danger of losing trademark protection everywhere in the world unless immediate action is taken to follow correct trademark procedures.''[133]

1977—1980

WSI's promotional literature during these years still refers to the sport of ''windsurfing.'' The term ''windsurfer'' appears in the advertisements in reference to the brand but also is used to refer to the craft and to the sportsman. Various generic terms such as ''freesail system'' infrequently appear in the text of documents. The term ''sailboard'' is seen with increasing frequency toward the later part of this period.[134] An ad slick from approxi-

129. DX 1142.

130. DX 1159—DX1189.

131. DX 1160.

132. DX 1188.

133. DX 1094.

134. *See, e.g.*, DX 1016—DX 1030; DX 1150.

mately 1979 sent to WSI dealers begins with "WILL THE REAL WINDSURFERS PLEASE STAND UP" and ends "So remember, if you're going to Windsurf, do it on the original Windsurfer."[135] A WSI catalogue (copyright 1977) offered for sale a variety of windsurfing paraphernalia, including a WSI promotional film describing the sport as "windsurfing" and sportsmen as "windsurfers."[136] In 1978-1979 a San Francisco WSI dealer still offered for sale "WINDSURFERS DO IT STANDING UP" bumper stickers.[137] Later, in 1979-1980, WSI told the public such things as "Windsurfing" is "Beyond Surfing" and "DO IT—WINDSURFING" with no mention of the words boardsailing or sailboard.[138] At the same time a 1980 WSI press release announced a new WSI "SAILBOARD" the "WINDSURFER ROCKET," for the "AFFICIONADO WHO WISHES TO GO ONE STEP FURTHER IN HIS WINDSURFING EXPERIENCE."[139]

Magazines and newspapers published between 1977 and 1980 continued to write articles on "windsurfing," *e.g.*, *hoist a sail and try windsurfing* (Glamour Magazine, May 1978),[140] and articles continued to appear on both "types" of "windsurfers." *See, e.g., Dick Lambert, 64, windsurfer* (Modern Maturity Magazine, Oct.-Nov. 1977);[141] *A Windsurfer You Can Build* (Mechanix Illustrated, Aug. 1977);[142] *Watching the dusk windsurfers* (Magazine of Western Liv-

135. DX 1018. The date of this exhibit is not entirely clear. However the last few pages of DX 1013 suggest that the 1979 date is approximately correct.

136. DX 1022; Tr. 1960; 2104.

137. DX 1024, 1025.

138. DX 1026-1030.

139. DX 1032.

140. DX 1306.

141. DX 1304.

142. DX 1301.

ing, May 1979;[143] Time Magazine, July 30, 1979 ("super wind-surfers specialize in 'wave jumps' ").[144]

In 1977 WSI began sending letters demanding the cessation of "all use of the term 'WINDSURFING' or any other term which infringes" the trademark.[145] The letters met with mixed results.[146] The subject of WSI's August 25, 1978 newsletter "DEALER NEWS" was "HOW TO USE A TRADEMARK PROPERLY" and began with the bold-faced caption "WINDSURFER IS NOT A NOUN: IT IS A PROPER ADJECTIVE." The newsletter stated further "whenever possible, you should use the generic name (sailboard) in association with the trademark. . ."[147] Minutes from a WSI management meeting held December 3, 1979 report

> Diane [Schweitzer] then discussed the necessity to change our way of thinking to use the term 'boardsailing' instead of windsurfing. The purpose of this change is to familiarize our sailors with the term that will be used in the '84 Olympics. The concern is that sailors accustomed to hearing 'windsurfing' will not realize that it really is their sport.[148]

The minutes of a 1980 WSI dealer meeting included the comment from the midwest dealers: "We are not pushing the 'Real Thing.' People are asking dealers 'what kind of Windsurfer do you sell?' Sailors are asking other sailors 'What kind of Windsurfer do you sail?' "[149]

143. DX 1319.

144. DX 1321

145. DX 1034

146. DX 1036

147. DX 1103

148. DX 1104.

149. DX 1105.

1981—1984

In April 1981 WSI began publishing "WINDSURF" magazine. The magazine, which was meant to have "a more generic appeal to all people who were interested in boardsailing,"[150] was changed to "WIND SURF" by November 1981.[151]

Recent issues of sports magazines, including those devoted exclusively to the sport on the whole, refer to the sport as "boardsailing," to the craft as "sailboards" and to sportsmen as "boardsailors," as do the WSI advertisements contained in the publication.[152] Nonetheless publications not associated with the sport continue to use the terms "windsurfing" and "windsurfer" descriptively. *See, e.g.*, New York Times, Nov. 11, 1984 (article on "Club Med" announcing the resort has wind-surfing);[153] Wall Street Journal, July 31, 1984 (comparing the number of bowlers in the world—100 million people—to the number of wind-surfers—200,000);[154] San Diego Tribune, July 26, 1982 (heralding: "Young windsurfer proves a standout").[155]

Generic usage of the terms is not limited to print media. For example, the "American Sportsman Show" televised on April 1, 1984 told viewers, among other such references, that "Hawaii also attracts some of the very best windsurfers. . . ."[156] Nor is usage confined to entertainment media. The 1983 edition of *The World Book Dictionary* defines "windsurfing" as a noun: "the sport of riding over

150. DX 1128, p. 6; Tr. 2161.

151. DX 1151.

152. *See, e.g.*, PX 641—PX 646.

153. DX 1260.

154. DX 1258.

155. DX 1250.

156. *See* DX 1263.

water on a surfboard equipped with a sail—wind 'surf' er, n.''[157]

During this period WSI continued to dispatch policing letters. Even so, it continued to receive comments by WSI affiliated persons relating to the "misuse" of the trademark. For example, on January 25, 1983, Willen Hoyng, general counsel for WSI, wrote to Hoyle Schweitzer regarding Hoyng's recent visit to the New York Boat Show: "Trademark usage is still horrible (i . Windsurf lessons etc.) Films used were not bad but trademark use in films very often horrible."[158] A March 17, 1981 intercompany WSI memorandum contains the following complaint: "a prospective consumer doesn't know a Dufour from a Curtis [sailboards made by other manufacturers], etc. All he knows is that he wants a Windsurfer.[159]

C. *The Survey*

Dr. Hans Zeisel is a Professor of Law and Sociology Emeritus at the University of Chicago Law School. He has published many articles on the use of statistical analyses as legal evidence.[160] Before joining the law school Dr. Zeisel served for many years as research director for McCann-Erikson and the Interpublic Group of Companies, one of the world's leading advertising agencies.[161] Dr. Zeisel's testimony related to a survey which he conducted at AMF's request.[162]

157. DX 1342.

158. DX 1346.

159. DX 1106.

160. *See, e.g.*, Zeisel, *The Surveys that Broke Monopoly*, 50 U. Chi. L. Rev. 896 (1983); Zeisel, *The Uniqueness of Survey Evidence*, 45 Cornell, L. Rev. 322 (1960) (cited in the Federal Manual for Complex Litigation at p. 115).

161. *See* DX 1348, (Appendix H).

162. The survey report is contained in DX 1348.

The target population for the survey consisted of individuals between the ages of 16 and 40 and a probability sample, i.e., a sample which justified projection to the total United States population in that age range, was designed. Questions put to the persons interviewed were patterned on the questions put in the survey in *E.I. duPont De Nemours & Co.* v. *Yoshida International, Inc.*, 393 F. Supp. 502 (E.D.N.Y. 1975), commonly referred to as "the Teflon Survey."

Here, as in the Teflon Survey, the interviewees were asked whether each of eight product names, one of which was "windsurfer," tells the type of product or a name that indicates the brand.[163] The next question was: "Now, please tell me what kind of products these are."[164] In response to the latter question 58% of the 801 people surveyed gave answers indicating that they had no knowledge of what a "windsurfer" was. Of the 320 people who did know, 61.4% said it was a type of product while 35.8% said it was a brand name.[165] Separated by sex, the results showed that 64.5% of the men interviewed, who had some knowledge of the product and 56.7% of the women stated "windsurfer" was a type of product.[166]

On cross-examination Dr. Zeisel stated that in his opinion it was possible but highly unlikely that the result

163. Interviewees were told: "Most products on the market have two names. The one tells us what *type* of product it is. For instance, beer, or automobile or coffee. The other is its *brand name*, such as Budweiser, Chevrolet or Maxwell House. I am going to read a few names to you and would you please tell me whether you think it is a name that tells the *type* of product *or* a name that tells us what *brand* it is."

164. Dr. Zeisel testified that this question, which was not asked in the Teflon Survey, was asked here because the sailboard is a relatively new product. He added that in his opinion the test could only be applied properly to people who knew what they were talking about in answering the question as to what "windsurfer" was. *See* Tr. 2216-19.

165. *See* Appendix B.

166. *See* Appendix C.

of the survey, which he conducted on a nation-wide basis, would have been different if he had limited his survey to people living in coastal areas.[167] Nonetheless WSI argues that the survey is "fatally flawed" because, *inter alia*,[168] Dr. Zeisel surveyed the wrong "universe." The argument is based upon Hoyle Schweitzer's testimony that roughly 60% of WSI's sales are generated from the East, West and Gulf coasts and near the Great Lakes.[169] WSI correctly asserts that under the law the relevant population is that of "prospective purchasers," and that in this case, Schweitzer's testimony demonstrates that the "prospective purchasers" live in the geographic areas just mentioned.

WSI's argument has several flaws. The survey population was constructed so that it is representative of the geographic distribution of the population.[170] Since more than 50% of the population lives within 50 miles of one of the coasts or from the Great Lakes[171] the survey roughly corresponds with WSI's market penetration and reason-

167. Tr. 2237-38.

168. WSI also argues that the use of the disjunctive in phrasing the question (whether "windsurfer" is a type of product *or* a brand), incorrectly states the law because it does not account for the fact that a word can serve a dual purpose. This argument is unpersuasive. As the survey results indicate, individuals who believed "windsurfer" serves a dual purpose were free to, and did, respond by answering that the term could be both a product and a brand. It is true that the answers of the persons who responded in this manner were not included in the final tabulation but the minimal number of such responses would not have changed the survey results significantly. We have considered WSI's other attacks on the survey and find them equally without merit.

169. Tr. 2296.

170. *See* DX 1348 (Appendix A).

171. Of this we take Judicial Notice. *See* Appendix D (U.S. Department of Commerce, *Bureau of Census, Statistical Abstract of the United States*, 10 (1985)).

ably reflects the universe of prospective purchasers.[172] Moreover, WSI offered no evidence to rebut Dr. Zeisel's opinion that a survey limited to a coastal population would most likely not yield different results than those reached here.

Dr. Zeisel's testimony thoroughly explained his methodology in conducting the survey and the results it produced. Having closely examined the survey report, we find that it represents an objective and logical procedure for gathering information on the question at hand. Although the limitations inherent in any statistical predictions must be recognized, we nonetheless conclude that the survey tends to establish that "windsurfer" is generic.

* * *

Nearly five decades ago the United States Supreme Court stated that

> to establish a trade name in the term . . . the plaintiff must show more than a subordinate meaning which applies to it. It must show that the primary significance of the term in the minds of the consuming public is not the product but the producer.

Kellogg Co. v. *National Biscuit Co.*, 305 U.S. 111, 118 (1938). More recently the Second Circuit has clarified the test for determining when a term is considered to be within the public domain, explaining that: "to become generic the *principal* significance of the word must be its indication of the nature or class of an article, rather than an

172. AMF states in its post-trial brief that after the trial Dr. Zeisel ran an additional computer run based upon the data already gathered for the survey, limiting the respondents to those that resided in Coastal and Great Lake States. 75% of the persons interviewed lived in such states. Of those respondents correctly answering that windsurfer was associated with some type of boat device, 59.4% said it was a generic term, and 38.4% said it wa a brand name. *See* "POST-TRIAL BRIEF OF AMF INCORPORATED TRADEMARK ISSUES" (filed Feb. 22, 1985) at p. 29. This computation was not in evidence and therefore it was not subject to the testing provided by cross-examination. However WSI has not objected to the accuracy of the information.

indication of its origin." *King-Seeley Thermos Co.* v. *Aladdin Industries, Inc.*, 321 F.2d 577, 580 (2d Cir. 1963) quoting *Feathercombs, Inc.* v. *Solo Products Corp.*, 306 F.2d 251, 256 (2d Cir. 1962), *cert. denied*, 371 U.S. 910 (1962) (emphasis in original). The test focuses on the knowledge of the general consuming public, not merely on a class of buyers who are members of a particular trade. *See, e.g., Bayer Co., Inc.* v. *United Drug Co.*, 272 F. 505, 510 (S.D.N.Y. 1921); *In re Murphy Door Bed Co., Inc.*, 223 U.S.P.Q. (BNA) 1030, 1033 (T.T.A.B. 1984).

On November 8, 1984 15 U.S.C. § 1064, Trademark Act Section 14, was amended to read:

> A petition to cancel a registration of a mark, stating the grounds relied upon, may . . . be filed by any person who believes that he is or will be damaged by the registration of a mark . . . .[173]
>
> (c) at any time if the registered mark becomes the common descriptive name of an article or substance . . . . *A registered mark shall not be deemed to be the common descriptive name of goods or services solely because such mark is also used as a name of or to identify a unique product or service. The primary significance of the registered mark to the relevant public rather than purchaser motivation shall be the test for determining whether the registered mark has become the common descriptive name of goods or services in connection with which it has been used.* . . . (Emphasis supplied to highlight newly added portions)[174]

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173. The new legislation applies to all cases where there has been no final judgment. *See* S. Rep. No. 98-627, 98th Cong., 2d Sess., *reprinted in* 1984 U.S. CODE CONG. & AD. NEWS 5718, 5727.

174. On the eve of trial WSI moved to dismiss the trademark issues on the grounds of lack of case or controversy. The motion was denied. WSI again raises the issue in its post-trial brief. The fact that WSI has sent correspondence threatening to sue at least one of

(footnote continued on next page)

WSI concedes that as the documentary evidence submitted by AMF establishes, in the period from 1967-1977 WSI used the WINDSURFER trademark as a name for its product.[175] However, WSI asserts that because it also used the mark as a brand name during that period, for instance by affixing WINDSURFER labels to cartons the sailboards were packed in,[176] its "dual use" of the trademark was proper. From this premise, WSI argues that none of the documetary evidence promulgated between 1969 and 1977 is probative of whether the trademark is generic. In support of this proposition WSI relies on the first sentence of the new amendment to 15 U.S.C.A. § 1064 (c) which states: "A registered mark shall not be deemed to be the common descriptive name of goods or services solely because such mark is also used as a name of or to identify a unique product or service."

This imaginative interpretation of the 1984 amendment is contrary to the legislative history of the Act. The Senate Report on the amendment specifically states:

> A. Dual Purpose and Unique Products
>
> [I]t is clear that whether a product is unique does not determine whether a term associated with the product functions as a trademark or as a generic designation. Most firms, in fact, attempt to market and promote their products as unique in some way. The important question is whether the primary significance of the

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AMF's dealers (Tr. 2205; DX 1068-DX 1069), along with the fact that the trademark issue is intimately connected with AMF's misuse defense (which AMF clearly has a right to assert), is sufficient in this action to create a "case or controversy" and we decline to overturn our earlier ruling. *Cf. Muller* v. *Olin Mathieson Chemical Corporation*, 404 F.2d 501, 504 (2d Cir. 1968) (justiciable controversy exists in patent cases when patentee has threatened plaintiff with infringement directly or indirectly).

175. *See* "WINDSURFING'S Post-Trial Brief As To Issues In Trademark Case" (filed Mar. 4, 1985), at p. 34.

176. Tr. 2281.

> term to the relevant consuming public is to identify a product which emanates from a single, albeit anonymous; source, or merely to identify the product itself. . . .
>
> As originally introduced, S. 1990 would have provided that a registered mark is not to be deemed the common descriptive name of a product "merely" because the mark is used as a name of or to identify the product. The Committee substitute changed the work (sic) "merely" to "solely" to make clear that while use of a mark to identify a unique product is not determinative of the purchaser's perception of the mark, evidence that the mark is used and promoted as a common name may be probative on the issue of genericness. See, for example, *Bayer Co.* v. *United Drug Co.*, 272 Fed. 505 (S.D.N.Y. 1921). The central inquiry remains, both before and after this litigation, whether the primary significance of the mark is to identify a product which comes from a single source—though the product be unique or the source anonymous—as opposed to identifying the product iselft.

S.Rep. No. 98-627, 98th Cong., 2d Sess., 8-9, *reprinted in* 1984 U.S. CODE CONG. & AD. NEWS 5725-26.

The legislative history of the amendment evinces what we find is a clear congressional intent to codify prevailing law.[177] That is, whether the disputed term is associated with a unique product, *see Bayer Co., Inc.* v. *United Drug Co.*, 272 F. at 505, or whether it is associated with a product manufactured by many companies, *see King-Seeley Thermos Co.* v. *Aladdin Industries, Inc.*, 321 F.2d 577; whether it is only one of several terms describing the prod-

177. By codifying the law Congress intended to rectify what it perceived as the confusion generated by "the four major" reasoning errors of the court in *Anti-Monopoly, Inc.* v. *General Mills Fun Group, Inc.*, 684 F.2d 1316 (9th Cir. 1982), *cert. denied*, 459 U.S. 1227 (1983). S. Rep. No. 98-627, 98th Cong., 2d Sess. 3-6, *reprinted in* 1984 U.S. CODE CONG. & AD. NEWS at 5720-23.

uct, *Loctite Corp.* v. *National Starch & Chemical Corp.*, 516 F. Supp. 190, 201 (S.D.N.Y. 1981), or indeed, whether it can be said to have a "dual use", *cf. Coca-Cola Co.* v. *Overland, Inc.*, 692 F.2d 1250 (9th Cir. 1982) (Customers requesting 'coke' not considered evidence of whether trademark was genric), the question that remains is whether the "*principal* significance of the word is to indicate the nature or class of an article . . . ." *King-Seeley Thermos Co.* v. *Aladdin Industries, Inc.*, 321 F.2d at 580. The 1969-1977 use of the term Windsurfer as a trademark is relevant to and probative of this proposition.

* * *

We conclude that the term "windsurfer" has become and is generic: that is, a common descriptive name within the meaning of 15 U.S.C. § 1064(c). In introducing the sport to the public, WSI's own promotional literature, its advertisements and its officers' admitted early generic use of the trademark taught the public to call the sport windsurfing and to associate the term "windsurfer" with both the craft and the sportsman. Indeed, through 1976 WSI provided no other meaningful terms for the public to use instead of "windsurfing" and "windsurfer." Further, the hundreds of generic uses displayed in the documents demonstrate that the mass media, which play an obviously important role in "educating" the public, readily adopted WSI's descriptive use of the terms to report on the new phenomonon. The testimony of Ely, the Connecticut boat dealer, regarding the customers' use of the words illustrates that the public learned well the lessons taught by WSI as to the definition of these key words. It is true that it could be argued that Ely's testimony should be given little weight since, as a competitor of WSI, he has an indirect stake in the outcome of the action. However, the admissions of WSI's dealers that their "customers don't know a Dufour from a Curtis"[178] and that they frequently

178. DX 1106.

ask about *types* of windsurfers[179] corroborate Ely's testimony, as to the public's perception.

Nor does the evidence establish that WSI's policing efforts were successful in changing the public's initial perception. It is true that by 1977 WSI had substantially ceased using the term windsurfer generically, but it continued to promote the sport as windsurfing until 1981. Even today, as Schweitzer admitted, no effective way has been found to prevent WSI's many dealers from using the term "windsurfing" descriptively. Moreover, as late as 1983 WSI's dealers and its general counsel were still complaining about the "horrible" misuse of the term by WSI and others. Further, the continued descriptive use of the words in newspapers and magazine articles, despite WSI's curtailment of generic usage, demonstrates that the media remain wedded to the use of the terms "windsurfing" and "windsurfer" rather than "boardsailing," "boardsailer" and "sailboard". The weight of the evidence is not significantly diminished by the fact that trade magazines, after some time, eventually adopted the boardsailing" terms; it is the perception of the relevant group of potential consumers, and not of those who are in the trade that is determinative as to whether windsurfer and windsurfing have become common descriptive terms. *See Bayer Co., Inc.* v. *United Drug Co.*, 272 F. at 510. Further, it is not unlikely that the trade publications' use of the "boardsailing" etc., terms is as reflective of a desire to maintain WSI's advertising business as of a recognition that "sailboard" is the popular name of the product.[180] Evidence that those outside of the sports industry adopted the boardsailing terminology is noticeably absent from the record. Finally, the evidence recited is supported by the Zeisel survey.

179. DX 1105.

180. The same considerations apply to the fact that there is an "American Boardsailing Industries Association" (Tr. 2021, 2273) and that the International Yacht Racing Union refers to the sport as "boardsailing" (Tr. 2277), evidence upon which WSI relies to maintain the trademark has not become generic.

We conclude that WSI's early descriptive use of its trademark put "windsurfer" within the public domain and later attempts at recapture failed to save the term from becoming generic.

Conclusion

In sum, we conclude that the combination of the hand-held wishbone rigging with the universal joint was not obvious; that claims 15-20 of the patent-in-suit are valid; that the saidboards of defendants AMF, BIC and Downwind infringe on each of the claims of the '167 patent except for the AMF TIGA which does not infringe on claim 18; that WSI has misused its patent to a limited extent; and that "windsurfer" is generic.

~~It is so ordered.~~ mel

Dated: New York, New York
July 15, 1985

Morris E. Lasker
U.S.D.J.

APPENDIX A

Glossary of Terms

aft: a direction towards the rear or the stern of the boat

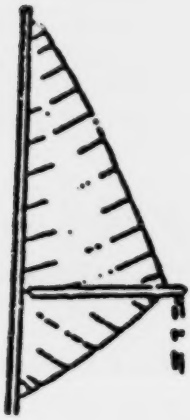
arcuately connected: connected such that the resulting structure is curved or bent like a bow

athwart: positioned across

beam reach: sailing in a direction approximately perpendicular to the wind direction

Bermuda, Marconi or Leg-o-Mutton sail and rig (Low Boom):

Bermuda, Marconi or Leg-o-Mutton sail and rig (High Boom):

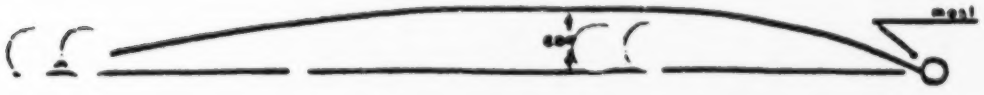


boom: a control or constraint device used to maintain or adjust the leech length and to control the shape of the sail

boom vang: something used to prevent a boom from rotating upwards and thus to maintain the leech length constant

bow: the front of the boat

broad reach: sailing in a direction approximately 135° from the direction from which the wind is blowing



centerboard: a board lowered within a slot in the hull by rotation about a pin. a type of stabilizer

centerline: an imaginary line extending from the front of the vehicle to the back of the vehicle

Center of Effort (CE): a point on the sail upon which it can be imagined all of the wind forces acting upon the sail are concentrated

Center of Lateral Resistance (CLR): the underwater center of dynamic pressure

cleat: a fitting around which a line is secured

clew: the corner of a sail where the foot and leech meet

close-hauled: this is the closest course the boat can sail towards the wind

close reach: sailing in a direction approximately 70° from the direction from which the wind is blowing

dagger-board: a board lowered by sliding through a slot in the hull. a type of stabilizer

dinghy: a small, open boat sometimes having a sail

draft: the offset or fullness of the airfoil shape of a sail

foot: the lower part of the sail

fore; forward): a direction towards the front or the bow of the boat

Gaff sail and rig:

gooseneck: a fitting or joint having two or three axes of rotation that connects the boom to the mast in a Bermuda or Marconi sail and rig

gybe: change from one tack to another by turning the stern through the wind

head: the upper part of the sail

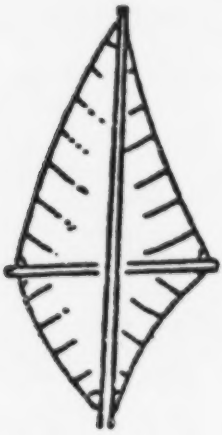
hull: the structure of the boat which contacts the water and which supports the passengers or the users of the sailboat

jam: a fitting in which a line is secured

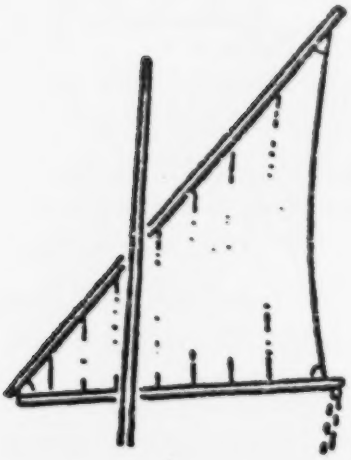
joint: something which connects two elements together either rigidly or so as to be moveable or; the place of the connection

keel: generally a weighted flat surface connected to the underside of the hull and aligned with the centerline of the boat. a type of stabilizer

Kite sail and rig:



Lateen sail and rig:



leeboards: flat boards connected to the sides of the hull. a type of stabilizer

leech: the edge of a sail away from the mast or; the leeward edge

leech length: the straight line distance between the clew and the head of the sail

leeward: the direction to which the wind is going

line: a rope which is part of the rig

luff: the edge of a sail at the mast (e.g. Bermuda or Marconi sail) or the windward edge (Square sail, spinnaker or Kite sail)

mast: the vertical spar which supports the sail and the other sail supporting structure

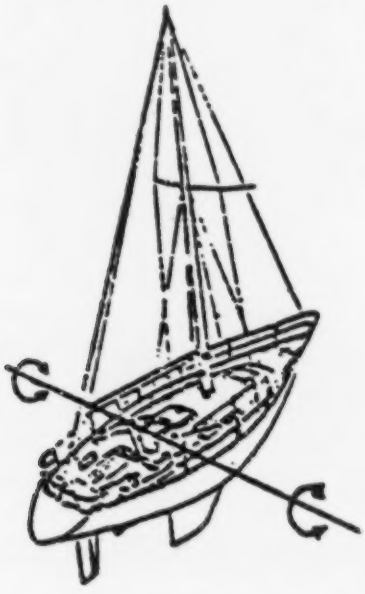
mast foot) or mast) heel): the lower end or base of the mast

mast head: the top end of the mast

mast step: the area on the hull which adjoins the mast heel

outhaul: a line which holds out the foot of a sail

pitch:



pivot: to rotate about a point along any one, two or three axes of rotation

port: a direction towards the left of the centerline of the boat while looking foward

reaching sailing across the wind: sailing in a direction generally across the wind direction. reaching is the fastest point of sailing

rig: the solid structure supporting the sail plus the wires, ropes and other items used to support and control the sail

roll:

rudder: a structure generally connected to the stern of a boat which can be rotated so as to steer and maneuver the boat

runabout: a small powerboat

running with the wind)
sailing before the wind) : sailing in a direction which is generally in the same direction as the wind
sailing downwind)

sail: an airfoil shape, usually made of cloth used to provide propulsion for a boat when blown by the wind

sailboat: a boat propelled by a sail

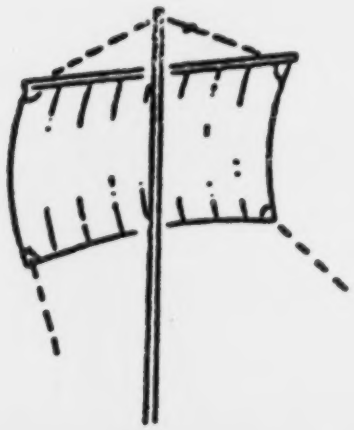
ship: an ocean-going vessel

skeg: a structure which is generally connected to the stern of a boat and is useful in resisting yawing

small yacht: a sailboat less than 25 ft. (8m)

spar: a general term for any wood or metal pole used to carry or to give shape to a sail or sails

Square sail and rig:



stabilizers: devices connected to the hull which extend into the water and improve the stability of the boat so that it will be less likely to roll or move sideways in the water

starboard: a direction towards the right of the center-line while looking forward

stern: the back of the boat

swivel: a coupling or fastening which allows the element attached to it to turn freely around an axis of rotation

tack (noun): the corner of a sail where the luff and foot meet

tack (verb)) tacking): sailing in a zig-zag direction towards the wind

uphaul: a line used to pull or hold something up

weather) wind-) ward): the direction from which the wind is coming

wishbone boom: a boom that completely encircles the lower part of the sail

yaw:

APPENDIX B

5. *The Main Result*

The following table shows the results of the present survey.

Table 1

Brand or Generic Name?

	Generic	*Brand*	*Do Not Know or Both*	*Number of Respondents** Base (= 100%)*
STP	15.4	84.6	—	(750)
Thermos	53.3	44.1	2.6	(669)
Margarine	90.0	9.8	0.2	(771)
Jello	26.7	71.0	2.3	(752)
Refrigerator	94.1	5.9	—	(786)
Windsurfer	61.4	35.8	2.8	(320)
Coke	13.9	85.8	0.9	(795)
Aspirin	88.5	11.1	0.4	(791)

** Actual case base—those who understand what product each name referred to.

APPENDIX C

The overall results for the term Windsurfer, together with the special tabulation for male and female respondents are presented in Table 2.

Table 2

Windsurfer: Brand or Generic Name?

	Total	*Men*	*Women*
Generic	61.4*	64.5**	56.7***
Brand	35.8°	31.8°°	41.6°°°
Do not know	2.8	3.7	1.7
	100%	100%	100%
Number of respondents	(320)	(163)	(157)

The Probable Errors for the six figures in the top two rows were as follows:

*± 5.5 **± 7.5 ***± 7.9

°± 5.4 °°± 7.3 °°°± 7.9

Probable Error roughly means that the odds are 19 to 1 that the true population value falls within its range.

APPENDIX D

10 Population

No. 8. Resident Population and Population Density in Counties Within 50 Miles of Coastal Shorelines: 1940 to 1980

[As of April 1 and based on census data. Excludes Alaska and Hawaii. Covers 611 counties and independent cities which are entirely or substantially within 50 miles of U.S. coastal shorelines. Great Lakes region includes St. Lawrence River]

Year	Conterminous U.S. total	Counties in coastal regions					Balance of conterminous U.S.
		Total	Atlantic	Pacific	Great Lakes	Gulf of Mexico	
Land area, 1970 (1,000 sq. mi.)	2,894	409	132	110	134	84	2,486
POPULATION							
1940 (mil.)	131.7	60.8	28.9	7.5	16.9	4.5	71.2
1950 (mil.)	150.7	73.5	34.6	11.5	21.5	5.8	77.2
1960 (mil.)	178.5	92.7	41.7	16.8	25.4	7.8	85.7
1970 (mil.)	202.2	108.5	46.2	21.5	29.3	9.5	93.6
1980 (mil.)	226.5	116.4	50.7	28.4	30.8	12.6	110.7
1940 (percent)	100	46	22	C	13	3	54
1950 (percent)	100	49	23	8	15	4	51
1960 (percent)	100	52	23	9	15	4	48
1970 (percent)	100	53	23	11	15	5	47
1980 (percent)	100	51	22	11	13	6	49
Population per square mile:							
1940	44.4	139.2	244.4	64.1	145.9	44.8	28.5
1950	50.5	167.2	292.3	97.5	182.9	69.8	30.9
1960	59.2	198.5	341.6	142.7	197.3	93.1	34.3
1970	69.2	232.9	389.4	182.5	218.1	101.1	37.6
1980 [1]	78.9	263.3	414.9	215.8	229.4	134.1	48.8

[1] Based on 1970 land area.

Source: U.S. Bureau of the Census, unpublished data.

Certificate of Service

This Supplemental Appendix to BIC Leisure Product's Petition for a Writ of Certiorari has been served upon Respondent by mailing copies thereof to Harold E. Wurst, Esq., Nilsson, Robbins, Dalgarn, Berliner, Carson & Wurst, 707 Wilshire Boulevard, Suite 4750, Los Angeles, California 90017 and David R. Francescani, Esq., Darby & Darby, 405 Lexington Avenue, New York, New York 10174, this 8th day of May, 1986.

THOMAS F. REDDY, JR.

Supreme Court, U.S.
FILED
MAY 31 1986
JOSEPH F. SPANIOL, JR.
CLERK

(3)

No. 85-1780

IN THE
SUPREME COURT
OF THE UNITED STATES
October Term, 1985

BIC LEISURE PRODUCTS, INC. and
WINDGLIDER FRED OSTERMANN, GmbH,
Petitioners,

vs.

WINDSURFING INTERNATIONAL, INC.,
Respondent.

ON PETITION FOR WRIT OF CERTIORARI
TO THE COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI

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Lawyers Brief Service, Inc. / Legal Publishers / (213) 383-4457

13pp

Question Presented

In patent litigation in which the following facts are found by the trial court or are not here in dispute:

1. The patentee owns Federally registered trademarks;
2. The Federally registered trademarks have become generic;
3. The patentee neither knew nor should have known that its trademarks had become generic;
4. Prior to the holding at trial that the patentee's trademarks had become generic, the patentee issued patent licenses which included a provision that the patent licensee acknowledged the validity of the trademarks and that the patent licensee would not use the trademarks;
5. There was no evidence of coercion by the patentee in obtaining the licensee's agreement to the trademark provision; and,
6. There was no evidence that the trademark provision in the patent licenses was ever enforced;

WHETHER the mere inclusion in a patent license of an acknowledgment of trademark validity and a prohibition against use of the licensor's registered trademarks constitutes patent misuse.

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375 F.Supp. 1 (N.D.Cal. 1974) 3

Switzer Brothers, Inc. v. Locklin
297 F.2d 39 (7th Cir. 1961), cert. denied,
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Parties

The Respondent is Windsurfing International, Inc., which has no parent or subsidiary companies or any affiliated company.

STATEMENT OF THE CASE

This case arises from the trial in the Southern District of New York of three consolidated actions relating, *inter alia*, to the validity, infringement and enforceability of the Windsurfing patent on sailboards and the validity of certain of Windsurfing's trademarks.

After trial, the trial court found:

1. Windsurfing (Respondent) owns certain Federal trademark registrations (SA, 78a)[1];
2. The registered trademarks have become generic (SA, 94a);
3. Windsurfing (and its owners) neither knew nor should have known that the registered trademarks had become generic (SA, 77a);
4. Prior to the decision of the trial court, Windsurfing had granted patent licenses under the patent in suit which included a trademark provision in which the licensee acknowledged the validity of the trademarks and agreed not to use them (SA, 73a-74a); and,

---

[1] Reference will be made herein to the Appendix and page number (e.g., A, 5a) and to the Supplemental Appendix (e.g., SA, 5a).

5. The evidence did not show that Windsurfing had sought to enforce the trademark provision of its patent licenses. (SA, 77a).

In addition, there was no evidence before the trial court that Windsurfing had in any way coerced its patent licensees to accept or agree to the trademark provision.

The trial court held that Windsurfing had, on these facts, "misused its patent to a limited extent." (SA, 96a).

On appeal, the Court of Appeals for the Federal Circuit reversed and held (A, 15a):

> "On the present record, the district court was improperly persuaded to rest its holding of misuse entirely on an after-the-fact determination that the marks are generic. Because that was error, the holding that the facts of record established a misuse of the patent right must be reversed."

REASONS FOR DENYING THE WRIT

A. Summary of Argument

Petitioners base their reasons for allowance of the writ not upon the *holding* of the Court of Appeals below but upon the *discussion* by the Court of the Appeals of the misuse issue there on appeal.

The *holding* of the Court of Appeals — that the mere inclusion, in a patent license, of an acknowledgment of trademark validity and an agreement not to use the trademark, is not patent misuse — follows the holdings of the four courts that had previously considered the same issue.

Thus, contrary to Petitioners' argument here, the Court of Appeals decision below does not constitute a "new

policy" in the law, but rather, simply a following of the established law.

B. Prior Decisions Are Consistent With The Holding Of The Court Of Appeals Below

There are four reported cases dealing with allegations of improper tying of patent and trademark licenses: *Deering, Milliken & Co., Inc. v. Temp-Resisto Corporation*, 160 F.Supp. 463 (S.D.N.Y. 1958), aff'd 274 F.2d 626 (2nd Cir. 1960) and rev'd on other grounds; *Kolene Corporation v. Motor City Metal Treating, Inc.*, 307 F.Supp. 1251 (E.D.Mi. 1969), aff'd 440 F.2d 77 (6th Cir. 1971); *Jack Winter, Inc. v. Koratron Company, Inc.*, 375 F.Supp. 1 (N.D.Cal. 1974); and, *Switzer Brothers, Inc. v. Locklin*, 297 F.2d 39 (7th Cir. 1961) *cert. denied*, 369 U.S. 851, 82 S.Ct. 935 (1962). Windsurfing will discuss each of the cases in turn.

1. *Deering, Milliken v. Temp-Resisto*

Deering, Milliken, 160 F.Supp. 463, was a case in the Second Circuit in which infringement of two patents was alleged. The defendant counterclaimed for unfair competition and contended the plaintiff's system of licensing its patents was illegal. The trial court characterized defendants' contention, and its own view of the contention, as follows (p. 480):

> "The defendants further contend that the system of licensing converters was illegal by reason of the fact that (1) the license of Deering, Milliken gave it the right to terminate the license if the licensee sold any 'metal insulating linings which infringe

> Milliken's patent rights or the trade-mark Milium,' and (2) . . . ."
>
> "Neither of these provisions in the license seems to be illegal."

The facts of the *Deering, Milliken* case are very close to those of the case at bar. There, the patentee licensed its patents and included a clause that gave it the right to terminate the patent license if the licensee infringed its trademark. Here, Respondent licensed its patent and included a clause in which the licensee acknowledged Respondent's marks and agreed not to infringe the trademarks. Both were simply a natural exercise of *trademark* rights.

On appeal (274 F.2d 626, at p. 634), the Second Circuit affirmed the lower court's dismissal of defendants' counterclaims in which the claim of improper licensing was made.

In what appears to be dicta, the Sixth Circuit in *Kolene Corporation v. Motor City Metal Treating, Inc.*, 440 F.2d at 85, supports Respondent's position when it states:

> "The record shows that Kolene is willing to license its process to heat treaters without the allegedly illegal tie-in but only when the licensee refrains from use of Kolene's servicemark. . . . Neither the right to use the mark (citing *Switzer Brothers*) nor the sale of salts (citing case) is tied to the right to practice the invention of the patent. Hence, the patent is not a lever used to extend a legal monopoly."

2. *Switzer Brothers v. Locklin*

In *Switzer Brothers* (297 F.2d 39), a Seventh Circuit case, the facts were the exact opposite of *Deering, Milliken* and of the case at bar. *Switzer Brothers* owned patents on daylight fluorescent devices it marketed under the trademark DAY-GLO. Part of the patent licensing requirement was that licensees under the patent *were required* to use the DAY-GLO trademark. The court found that (p. 44):

> "The patent licenses were conditioned upon the use of the Day-Glo mark."

Citing the Supreme Court "tying" cases, the court held the patent misused and stated (p. 48):

> "In the light of the whole record, it seems apparent that the 'Day-Glo' trademark became, as a result of appellant's unlawful conduct, vested with an artificial value in the fluorescence field over and above the normal incidence of good will."

Switzer Brothers, then, used the patent to coerce for itself, through licensing of its patent, a trademark position in the marketplace *beyond that provided by the trademark law and the natural operation of the marketplace. Deering, Milliken* and Respondent, by contrast, did not use the patent at all to obtain an enlargement of their trademark rights; rather, they simply asserted their right of exclusive use inherent in their marks as provided by the trademark law.

3. *Jack Winter v. Koratron*

In *Koratron* (375 F.Supp. 1), the court in the Northern District of California dealt with a major licensing program of a patent on a method of making permanent press garments. One of the condemned licensing practices was, like in *Switzer Brothers*, a requirement in the patent licenses that the licensees use the KORATRON trademark (p. 63). *Koratron* argued that it did not fall within the rule of the *Switzer Brothers* case because, unlike *Switzer Brothers*, Koratron's licensees were not required to use *only* the KORATRON mark (p. 64). Finding no difference, the court held the practice to constitute patent misuse (p. 72).

C. *Conclusion As To Prior Cases*

Respondent submits that the differences between the *Deering, Milliken* case on the one hand and the *Switzer Brothers* and *Koratron* cases on the other delineate the line between permissible and impermissible licensing, which line Respondent did not cross. In order for a patent to be *mis*used to gain an improper advantage, it must first be shown that the patent was *used* in a *coercive* manner; the mere inclusion in a patent license of a promise not to infringe the licensor's trademark is, of itself, neither a use of the patent nor coercion based on the patent.

CONCLUSION

For the reasons presented, the Writ of Certiorari should be denied.

Respectfully submitted,

Harold E. Wurst
Attorney for Respondent

Of Counsel:
Nilsson, Robbins, Dalgarn,
Berliner, Carson & Wurst

CERTIFICATE OF SERVICE

This BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI has been served upon Petitioners by mailing copies thereof to Thomas F. Reddy, Jr., and Jonathan A. Marshall, Pennie & Edmonds, 1155 Avenue of the Americas, New York, New York 10036, this 30th day of May, 1986.

Harold E. Wurst

No. 85-1780

Supreme Court, U.S.
FILED
JUN 6 1986
JOSEPH F. SPANIOL, JR.
CLERK

IN THE

Supreme Court of the United States

October Term, 1985

BIC LEISURE PRODUCTS, INC. and
WINDGLIDER FRED OSTERMANN, GmbH,

Petitioners,

vs.

WINDSURFING INTERNATIONAL, INC.,

Respondent.

REPLY BRIEF OF PETITIONERS

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No. 85-1780

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Respondent.

REPLY BRIEF OF PETITIONERS

Petitioners have raised two basic issues of substantial significance. The first issue—whether the Court of Appeals for the Federal Circuit ("the Federal Circuit") has created and installed a new legal standard which is alien to and irreconcilable with the Patent Misuse Doctrine—is a matter of critical importance to the public. The second issue—whether the patent in question is unenforceable by reason of misuse—is of great practical concern to the particular litigants and others in this industry.

As to the first issue, respondent was so completely unable, within the bounds of responsible advocacy, somehow to reconcile the unprecedented "economic analysis" rationale of the Federal Circuit with the equitable Patent

Misuse Doctrine originated by this Court, it barely made an attempt. Instead, respondent has concentrated its efforts upon the second issue, contending in effect that had the Federal Circuit followed the "proper" rule of law, it would have reached the same result.

Respondent is correct in its tacit recognition that the "rule of reason" analysis of the Federal Circuit is indefensible; the decision below cannot be allowed to stand. As to the merits of the specific patent misuse issue, respondent has been compelled to rely upon lower court cases which, upon analysis, either are demonstrably inapposite or support petitioners' position. Respondent ignores as it must the rationale of the landmark cases of this Court.

Respondent Does Not Seriously Dispute That The Federal Circuit Has Created A New Policy For The Determination Of Patent Misuse Questions Which Is Irreconcilable With The Doctrine Promulgated By This Court

In three short paragraphs, respondent has attempted half-heartedly to dismiss as mere "discussion" the lengthy exposition by the Federal Circuit of its new rationale for the determination of patent misuse questions. Respondent would have this Court accept that the "holding" is contained exclusively in the last two sentences. This is patently absurd.

Undeniably, the *basis* of the "holding" that the District Court had erred is the immediately preceding three-page consideration in which the Federal Circuit promulgated a new policy for the determination of the present as well as

all future patent misuse questions. Certainly, the Federal Circuit disregarded the arguments presented below which respondent has now repeated almost verbatim. But the Federal Circuit was guided only by its own antitrust-like analysis of "anticompetitive effect," not by a proper evaluation under the Patent Misuse Doctrine.

It is wishful thinking for respondent to conclude that the "holding" of the Federal Circuit is (R.[1] 2):

> that the mere inclusion, in a patent license, of an acknowledgement of trademark validity and an agreement not to use the trademark, is not patent misuse ....

The "holding" was that (A.[2] 15a):

> ... the district court was improperly persuaded to rest its holding of misuse entirely on an after-the-fact determination that the marks are generic. Because that was error, the holding [of patent misuse] must be reversed.

In any event, petitioners submit that the Federal Circuit would have reversed regardless of the basis of the District Court's ruling *unless,* applying its own unique criteria, it could have reached the same result.[3]

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1. Respondent's Brief.

2. Appendix.

3. The substantive basis of petitioners' claim of patent misuse is delineated in the Petition at pages 11-13 and in this Reply, *infra.* In pressing this claim, petitioners have neither urged nor adopted the reasons relied upon by the District Court. Petitioners do vigorously assert, however, that the Federal Circuit committed reversible error in both its analysis and its ultimate holding.

Respondent's Patent Is Unenforceable By Reason Of Misuse Under The Standards Mandated By This Court

Simply stated, a patent is a monopoly limited by the scope of its claims. A patent is misused, and becomes unenforceable, when its limited monopoly is wielded as a lever to acquire rights beyond its legitimate metes and bounds. Here, respondent, in licensing its patent, unlawfully leveraged its monopoly, *inter alia*, by conditioning the *patent license* upon the surrendering by the licensees of certain rights which they otherwise had under the *trademark law*. Eleven different organizations which acquired licenses under respondent's *patent* found that to do so, they were required to become bound by covenants not to challenge the validity of respondent's *trademarks* and not to use those trademarks in *any form or on any product*, even beyond those forms and classes for which the trademarks had been registered. Any violation of either such *trademark* covenant was, of course, an actionable breach of contract. More importantly, it was specifically punishable by termination of the license under the *patent*.

In its defense, respondent has advanced what is a rerun of its brief before the Federal Circuit which that court, although it reached the result advocated, ignored completely. However, even had the Federal Circuit wanted to accept the precedent relied upon by respondent, it still would have had no proper basis for endorsing respondent's licensing policy.

Deering, Milliken Co. v. Temp-Resisto Corp.

Respondent relies in large part upon *Deering, Milliken Co. v. Temp-Resisto Corp.*, 160 F. Supp. 463 (S.D.N.Y.

1958), *rev'd in part*, 274 F.2d 626 (2d Cir. 1960), wherein, it asserts, the court sanctioned conduct similar to that complained of by petitioners. Respondent's analysis is erroneous.

The facts in *Deering Milliken* are complex, impossible to summarize within the constraints of this Reply, and are best set forth by the District Court, 160 F. Supp. at 478-81. However, the differences between *Deering Milliken* and the present case are substantial, numerous, and material:

—In *Deering Milliken*, two patents were involved: one for a fabric which was licensed to convertors and another for a garment incorporating that fabric which was licensed to manufacturers; no single entity required a license under both patents. Here, there is only one patent.

—In *Deering Milliken*, the owner of the patent also granted to the garment manufacturers the right to use its trademark. Here, respondent refuses to license its trademarks under any circumstances.

—In *Deering Milliken*, the license under the second patent could be terminated if the patent or trademark was infringed. However, unlike here, there was no restriction either as to the right to challenge the validity of the trademark or to use the trademark in a form or on classes of goods for which the trademark had not been registered.

—In *Deering Milliken*, unlike here, the conduct in issue occurred almost entirely prior to the issuance of the patents.

Respondent also incorrectly represents that the District Court's finding of misuse was affirmed on appeal. The fact is that the Court of Appeals reversed, holding the patent invalid; *therefore, it never addressed the question of misuse.* 274 F.2d at 634.

Kolene Corp. v. Motor City Metal Treating, Inc.

Although the language in *Kolene Corp.* v. *Motor City Metal Treating, Inc.*, 307 F. Supp. 1251 (E.D. Mich. 1969), *aff'd*, 440 F.2d 77 (6th Cir. 1971), may be consistent with the conclusion respondent would have this Court reach, the facts are materially different from those of the case at bar.

The Kolene patent covered a process for treating metals in a salt bath. Kolene obtained the trademark TUFFRIDE for the process and licensed various "heat treaters" to use the TUFFRIDE trademark *if they also purchased from Kolene the salts employed in the process.* The purchasers were *not compelled* to buy salts from Kolene, but those who chose not to were not permitted to use the trademark. The District Court held that under the circumstances the licenses were *trademark licenses*, not patent licenses; therefore, the requirement that the licensees purchase the unpatented salts from Kolene was not patent misuse, but was necessary for Kolene to control the quality of the licensed process. 307 F. Supp. at 120. The Court of Appeals for the Sixth Circuit agreed.

Here, unlike in *Kolene*, the licensees had no choice. A trademark license was not available under any circumstance. The penalty for using the trademarks in any form

or even from just challenging their validity was the cancellation of the patent license.

Switzer Brothers, Inc. v. Locklin

Switzer Brothers, Inc. v. *Locklin*, 297 F.2d 39 (7th Cir. 1961), *cert. denied*, 369 U.S. 851 (1962), including the passage quoted by respondent, supports petitioners. In *Switzer Brothers*, patent licenses were granted only on the condition that the licensee agree to utilize the patentee's trademark in connection with any products manufactured or sold under the license. The court ruled that the patent had been misused because, just as here, *patent* licenses "were conditioned" on the acceptance of the *trademark* provisions. Moreover, in *Switzer Brothers*, the overall result of the patent licenses "vested the trademark with an artificial value." *Id.* at 48. Here, the leverage of the patent monopoly was used to vest respondent's trademarks with not only an artificial, but also an enhanced value, in that licensees were prohibited from challenging the marks or from using them in various ways permitted by the pertinent trademark laws. Here, as in *Switzer Brothers*, the illegal concessions were exacted from the licensees "by fear." *Id.* at 48.

In discussing *Switzer Brothers*, respondent concludes that the patent had been misused because the patentee "through licensing of its patent, [obtained] a trademark position in the marketplace *beyond that provided* by the trademark law . . . ." (R. 5) (emphasis in original). This, however, is the direct result of respondent's own licensing practices which permitted it "to obtain an enlargement of [its] trademark rights," well beyond those provided by the trademark law. *See* Petition at 12-13.

Jack Winter, Inc. v. Koratron Co.

The court in *Jack Winter, Inc.* v. *Koratron Co.*, 375 F. Supp. 1 (N.D. Cal. 1974), held that it was misuse to license patents only on the condition that the licensee use the patentee's trademark. Here, respondent, like the patentee in *Jack Winter*, improperly used the leverage of the patent monopoly to obtain rights regarding its trademarks which are otherwise totally unavailable through the legitimate protection afforded by either the patent or trademark laws.[4]

Coercion, Although Present, Is Not A Prerequisite For Patent Misuse

Respondent places perhaps the greatest weight on its contention that to find misuse "it must first be shown that the patent was *used* in a *coercive* manner" (R. 6) (emphasis

4. In finding patent misuse, the court in *Jack Winter*, relying on the Supreme Court precedents cited in the Petition, stated (375 F. Supp. at 71):

> Although an antitrust violation involving a patent comes clearly within the patent misuse doctrine, *a showing of such a violation and actual lessening of competition is not required.* (emphasis added).

This is directly contrary to the Federal Circuit's holding that unless a *per se* violation of the antitrust laws exists, misuse must be premised upon "a factual determination [revealing] that the overall effect of the license *tends to restrain competition* in an appropriately defined relevant market." (A. 14a) (emphasis added). Moreover, relying on *Morton Salt Co.* v. *G. S. Suppiger Co.*, 314 U.S. 488 (1942), the Court of Appeals for the Ninth Circuit in *Berlenbach* v. *Anderson and Thompson Ski Co.*, 329 F.2d 782, 784 (9th Cir.), *cert. denied*, 379 U.S. 830 (1964), ruled:

> In view of the history and policy of the defense of patent misuse we find no merit in appellant's contention *that the proof of substantial lessening of competition is a prerequisite to finding patent misuse.* (emphasis added).

Accord, Koratron Co. v. *Lion Uniform, Inc.*, 409 F. Supp. 1019, 1024-25 (N.D. Cal. 1976).

added). Significantly, it has failed to cite even a single case in support of this proposition. The truth is that the law is to the contrary.

In *F.C. Russell Co.* v. *Consumers Insulation Co.*, 226 F.2d 373 (3d Cir. 1955), defendant had successfully asserted below that plaintiff had misused its patent. On appeal, plaintiff contended that "the real test" of misuse was whether it had "enforced or attempted to enforce" the offending provisions in its agreements. *Id.* at 376. In ruling that actual coercion was not a prerequisite for patent misuse, the Court of Appeals held (*Id.*):

> But, aside from the foregoing, the Supreme Court has held that whether an illegal provision of a contract is or is not enforced makes no difference if the contract gives the patentee, as here, the power to effect enforcement. See, for example, United Shoe Machinery Corp. v. United States, 1922, 258 U.S. 451, 458, 42 S.Ct. 363, 66 L.Ed. 708, and similar decisions. Certainly, if the law is to be changed in this respect, it should be altered by the Supreme Court and not by this tribunal.

Accord, Krampe v. *Ideal Industries, Inc.*, 347 F. Supp. 1384, 1387 (N.D. Ill. 1972).

"Coincidence" is not an acceptable explanation as to how eleven licenses granted by respondent all happen to contain the restrictive provisions of which petitioners complain; the patent licenses were simply not available absent consent to the trademark restrictions. In fact, in its dealings with Mistral Windsurfing AG, now a U.S. licensee, respondent refused to grant the patent license unless Mistral first agreed (1) to eliminate the term "Windsurfing"

from its corporate name and cease using the term "Windsurfer" in marketing materials, and (2) to withdraw the six proceedings challenging respondent's trademarks it had brought in the United States Patent and Trademark Office and which were then *sub judice*.[5] Moreover, on February 26, 1986, the Court of Justice of the European Communities in *Windsurfing International, Inc.* v. *Commission of the European Communities*, case 193/83, affirmed the decision of the E.E.C. Commission below that *seven* of respondent's patent licensing practices violated Article 85 of the E.E.C. Treaty as being illegal restrictions upon competition. Fifth on the list of anticompetitive practices was the obligation of the patent licensees to acknowledge as valid the trademarks "WINDSURFER" and WINDSURFING" as well as respondent's logo.

Conclusion

The Petition for a Writ of Certiorari should be granted.

Respectfully submitted,

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5. *See* Declaration filed on behalf of Mistral in *Mistral Windsurfing AG* v. *Windsurfing International, Inc.*, 85 Civ. 3880 (MEL) (S.D.N.Y.).

Certificate of Service

This Reply Brief Of Petitioners has been served upon Respondent by mailing copies thereof to Harold E. Wurst, Esq., Nilsson, Robbins, Dalgarn, Berliner, Carson & Wurst, 707 Wilshire Boulevard, Suite 4750, Los Angeles, California 90017 and David R. Francescani, Esq., Darby & Darby, 405 Lexington Avenue, New York, New York 10174, this 6th day of June, 1986.

Thomas F. Reddy, Jr.